United Nations A/58/414

General Assembly

Distr.: General
6 October 2003

Original: English

Fifty-eighth session
Agenda item 91 (a)
Macroeconomic policy questions: international trade and development

International trade and development

Report of the Secretary-General*

Summary

The present report reviews recent trends in international trade, which indicates considerable diversity in trade performance across regions and countries. At the same time, trade in services emerges as a growth sector. Of particular concern to developing countries, the price index of primary commodities of export interest to developing countries continued its overall downward trend. The important development in the multilateral trading system was the Fifth Ministerial Conference of the World Trade Organization, held at Cancún, Mexico to take stock of progress under the Doha work programme and provide new directions. Two years of intense post-Doha negotiations have advanced the work programme mainly on the TRIPS Agreement and public health, the accession of Cambodia and Nepal, adoption of guidelines on accession of least developed countries and modalities on special treatment for them in the negotiations on trade in services. Deliberations at the Cancún Ministerial Conference were unsuccessful in building consensus on other key issues, such as agriculture, non-agricultural market access, special and differential treatment, implementation-related issues and Singapore issues. Ministers agreed to continue working on the outstanding issues with a view to convening a meeting no later than 15 December 2003 to take the action necessary at that stage to enable members to move towards a successful and timely conclusion of the negotiations. Efforts are now being made to resume the negotiations. The report also outlines a set of "benchmarks for development" against which progress in mainstreaming development into the World Trade Organization can be assessed. The process towards the ninth session of UNCTAD could contribute positively to balanced progress in the Doha work programme and could reinvigorate the multilateral trading system.

* The present report was submitted on this date in order to take into account the Fifth Ministerial Conference of the World Trade Organization.

03-54488 (E) 291003

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I. Introduction

1. The present report was prepared pursuant to General Assembly resolution 57/235, in which the Assembly requested the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development (UNCTAD), to report to the Assembly at its fifty-eighth session on developments in the multilateral trading system, as well as on other issues raised in that resolution. Other UNCTAD reports provide additional information.[1]

II. Recent trends in trade[2]

2. There has been considerable diversity in trade performance across regions, particularly since the downturn of the world economy in 2001. Between 1990 and 2001, South-South trade grew faster than world trade, with the share of intra-developing country trade in world merchandise exports rising from 6.5 to 10.5 per cent, much of which is related to Asia.[3] United States of America exports fell for two successive years, partly owing to the appreciation of the dollar and partly to stagnation or recession in its main industrialized trading partners and in Latin America. However, United States imports rose by nearly 4 per cent in 2002, after declining by some 3 per cent the previous year. Given that the United States is the largest importing economy, accounting for one fifth of world merchandise imports, this was the most important factor for trade recovery in 2002. Export and import volumes have been sluggish in the European Union in the past two years, in view of slow growth in this region where intraregional trade accounts for two thirds of the foreign trade of European Union member countries. In 2002, Japan's imports rose by 1.6 per cent after falling the previous year, while its exports recovered sharply from their decline in 2001 to reach the level attained in 2000.

3. In Asia, several countries such as Malaysia, the Philippines and Thailand saw their export volumes fall sharply in 2001 because of reduced demand for information technology products. On the other hand, countries with a more diversified export structure such as China, India and the Republic of Korea, resisted that trend. East and South Asia became the growth centres of world trade in 2002. These subregions benefited from strong output growth and a worldwide recovery of the information technology sector, as well as from growth in regional trade. In China, the growth rate of exports tripled in 2002, matched by the growth of its imports and its absorption of large amounts of imports from the developing economies of the region. China has been gradually assuming the role of the United States as the growth engine in Asia. Apart from India and China, the other developing countries of the region registered growth in export and import volumes of about 5 per cent and maintained comfortable trade balances.

4. In Latin America, the economic situation deteriorated rapidly in 2002, when the region experienced one of its worst years since the debt crisis. In combination with declining capital inflows and foreign exchange reserves, imports fell sharply, by more than 8 per cent for the region as a whole. Exports from the region he' l up slightly. In Africa, the volume of both imports and exports rose by 2.6 per cent despite weak demand from Western Europe, Africa's main trading partner. The region as a whole experienced a deterioration in its terms of trade for a second consecutive year, with import growth significantly exceeding export growth in value terms. The terms of trade of sub-Saharan Africa recovered moderately in 2002, but

they could not make up for the losses of the previous year. Imports expanded faster than exports in both volume and value terms.

5. The transition economies escaped the downturn in world trade in 2001, achieving strong growth in exports and imports. In 2002, both export and import growth decelerated, but still exceeded the world averages by a wide margin. Most of the countries belonging to the Commonwealth of Independent States (CIS), notably the Russian Federation, saw increased export earnings in 2002.

6. Trade in services emerges as a growth sector with exports and imports each accounting for around 20 per cent of the total exports and imports of trade in goods and services. In terms of value, the total exports and imports of services for the year 2001 was around $3 trillion, with member countries of the Organisation for Economic Cooperation and Development (OECD) accounting for over three fourths of global trade in services. Developing countries remain net importers of services. In 2001, officially recorded remittances stood at over $60 billion.[4] The total amount of remittances may, however, be twice or three times higher, taking into account informal transfers.

7. The price index of primary commodities of export interest to developing countries continued its overall downward trend. In 2002, prices declined for many commodities, mainly as a consequence of the weakness in world economic activity. Annual average non-oil commodity prices fell by 2 per cent, with considerable variations across different commodity groups. The renewed slowdown of growth in the major developed countries resulted in faltering demand for most commodities and falling prices. Crude oil prices stabilized in 2002 after dropping sharply the previous year.

III. Developments in the multilateral trading system

A. Overview

8. The Fifth Ministerial Conference of the World Trade Organization (WTO) was held at Cancún from 10 to 14 September 2003. It was expected that Ministers at the Conference would not only engage in stocktaking, but would also ensure that political impetus was given to advancing negotiations on key aspects of the Doha work programme adopted at the Fourth Ministerial Conference of WTO, held in Doha from 9 to 14 November 2001. There were further expectations that results of the Conference could build greater confidence for the future of the trading system and provide a fresh impetus to the world economy and global trade.

9. Despite intensive negotiations in the two years following the Doha Conference, progress in advancing the work programme encountered a number of limitations. WTO members were unable to reach agreement on a number of issues of priority concern to developing countries. Negotiating deadlines on these were not met, and developing countries found it difficult to make compromises in stalled negotiations on agricultural and non-agricultural products, and on Singapore issues. These views emerged from preparatory and Ministerial meetings,[5] including those of developing countries and their country groups. Those meetings of developing countries facilitated convergence of their views, understanding of the issues at stake,

and strengthened their negotiating positions and their capacity to participate effectively at Cancún.

10. Efforts by the General Council of WTO to prepare and agree upon a draft Cancún ministerial text proved difficult. Of the Doha work programme items covered, agriculture, non-agricultural market access and the Singapore issues showed wide divergences. Following protracted deliberations and a flurry of new proposals by both developed and developing countries, particularly the European Community-United States and the Group of 22 developing countries,[6] respective joint proposals on agriculture and the European Community-Canada-United States proposal on non-agricultural market access, the Chairman of the General Council issued a draft Cancún ministerial text (CMT Rev.1) on 24 August 2003 and, acting on his own responsibility, submitted this text to ministers in Cancún, on the understanding that it did not purport to be agreed in any part or as a whole and was being submitted without prejudice to the position of members.

11. On the eve of the Cancún Conference, WTO members reached agreements on some issues, the most important being the decision on trade-related aspects of intellectual property rights (TRIPS) and public health, on 30 August 2003. The decision was a step forward in efforts to ensure that countries with insufficient or no manufacturing capacities in the pharmaceutical sector have access to medicines at an affordable cost. While welcoming the decision, many developing countries also reiterated the need for expeditiously amending the Agreement on Trade-Related Aspects of Intellectual Property Rights[7] (TRIPS Agreement) to ensure that the solution was simple to use, sustainable, predictable and legally secure. Another step forward was the conclusion of the accession process of Nepal and Cambodia (with the decision on their accession taken by the Cancún Conference). In addition, modalities for special treatment of least developed countries in services negotiations were adopted and added to the decision on guidelines on accession for least developed countries adopted in December 2002.

12. Deliberations during the Conference were unsuccessful in building consensus on the other key Doha work programme issues, such as agriculture, non-agricultural market access, special and differential treatment, implementation-related issues and Singapore issues. A revised draft Cancún ministerial text (CMT Rev.2) was submitted on 13 September 2003, on the basis of which WTO members continued consultations. Developing countries generally considered that the revised draft did not sufficiently reflect their interests and concerns. There has been much introspection about why the Conference could not make the desired breakthroughs in a number of major issues of the Doha work programme negotiations and what implications this has for the future of the multilateral trading system and WTO. The following factors may be relevant: (a) complexity and diversity of the Doha work programme on South-South, North-North, North-South, regional, subregional and individual country bases; (b) difficulty in meeting the three criteria mentioned by the Chairman of the General Council for determining the acceptability of any compromise package, namely (i) respecting the ambition of the Doha mandate, (ii) respecting the development dimension and (iii) seeking overall balance in the outcome of the negotiations; (c) arrival of the moment for decisions with regard to detailed and specific policy commitments at Cancún, for which concerned members did not seem ready; (d) difficulty in finding a balance between the package tabled and the expectations and demands of the 146 WTO member States; (e) against the background of expectations on development deliverables in areas of core interest to

developing countries, especially agriculture, many developing countries were not prepared to accept commitments in other areas; (f) emergence of a number of issue-based alliances and coalitions among developing countries (the Group of 22 on agriculture, the Group of 33 on special products and special safeguard measures and the "Grand Alliance" of the African Union, the African, Caribbean and Pacific Group and least developed countries) was a factor in the negotiations, signalling that their concerns had to be taken on board for a successful outcome; (g) the role and activism of civil society, parliamentarians and media, both in the North and South, added a new dimension to the course of multilateral negotiations, both process-related and substantive; (h) problems in Cancún related to the difficulty in establishing mutually agreeable linkages and balances within and among the key issues of negotiations involving considerations of pain and gain in the short and medium term, sequencing, level of ambition, time line issues and pay-out and recompense; and (i) many process-related obstacles, including on timing and maturity of issues for resolution arose.

13. In the ministerial statement issued by the Chairman at the closure of the Conference, he stated "We have, indeed, made considerable progress. However, more work needs to be done in some key areas". Officials were instructed to continue working on outstanding issues with a renewed sense of urgency. The Chairman of the General Council was requested to coordinate this process and to convene a meeting of the General Council at the senior officials level no later than 15 December 2003 to take the action necessary at that stage to enable ministers to move towards a successful and timely conclusion of the negotiations. In that new phase, where ministers have reached convergence, the work should be maintained, while working for an acceptable overall outcome.

14. While the ministerial statement is reassuring with regard to the continuity of the process and members' commitment to the Doha Declaration and its mandate, questions have been raised about the Conference's implications for the multilateral trading system, the Doha work programme and WTO reform. There is concern that there would be difficulties in evolving an open, equitable, rule-based and predictable multilateral trading system that is sensitive to the trade, financial and development needs of developing countries. Many expressed the concern that the stalemate could lead to a more vigorous pursuit of bilateral and regional trade agreements, the numbers of which (over 200) have grown rapidly during the 1990s, on a South-South, North-North and North-South basis. The cause of trade liberalization could be affected and protectionist sentiments could gain ground. The galvanizing of developing countries into issue-based coalitions has led to conclusions about their latent empowerment, and also to concerns about North-South polarization. One of the views expressed is that the multilateral trading system needs to be manageable and to limit itself to trade liberalization.

B. Issues-related developments

Implementation-related issues and concerns

15. Issues related to the implementation of the results of the Uruguay Round[8] have been a concern of developing countries since 1995 and are a key factor in the attempts to address development issues in the Doha work programme. Implementation issues were divided into two categories, namely: (a) where there

was a specific negotiating mandate in the Doha Ministerial Declaration,[9] the relevant issues should be addressed under that mandate; and (b) the other outstanding implementation issues should be addressed as a matter of priority by the relevant WTO bodies, which should report to the Trade Negotiations Committee by the end of 2002 for appropriate action.

16. Of the approximately 100 issues proposed by developing countries, some 40 were the subject of immediate action via direct reference in the Decision on Implementation-related Issues and Concerns of 14 November 2001 adopted at Doha,[10] while the majority of the remaining issues were subject to negotiations pursuant to paragraph 13 of the Decision and paragraph 12 of the Doha Ministerial Declaration. However, developing countries consider that most of the Decision's "resolved" issues have been addressed through "best endeavour" clauses and the deliverables of the Decision relate mostly to extended time frames and simplified administrative procedures for implementation by developing countries of commitments.

17. Some of the main outstanding implementation issues under negotiation include: simplifying rules of origin and expanding import quotas for textiles; expanding the scope of non-actionable subsidies, and allowing use of trade-related investment measures covered by the Agreement on Trade-Related Investment Measures (TRIMs Agreement), for example, by extending the transition period for developing countries; reducing developed countries' application of anti-dumping measures on imports from developing countries; increasing market access in specific goods for which developing countries have a substantial export interest; facilitating developing countries' management of balance-of-payment difficulties; assisting developing countries to comply with product standards; and improvements in and clarification of the Dispute Settlement Understanding, which many developing countries experience difficulties in using effectively. An increasing concern has been the high resource costs associated with implementation of an increasingly wide set of WTO agreements, which can frustrate the development aspirations of developing countries, particularly the smaller and poorer among them, for whom rising costs threaten to outweigh benefits and crowd out scarce development financing and development priorities. The deadline for achieving results by the end of 2002 was missed. As noted earlier, developing countries have emphasized implementation issues as a negotiating priority that need to be addressed, including by the establishment of a dedicated negotiating group on the subject.

Special and differential treatment

18. Special and differential treatment is an established principle in WTO to accommodate developing countries' needs and limited capacities within the multilateral trading system. However, an array of WTO agreements, such as TRIPS and TRIMs, have extended the influence of WTO from traditional border measures to "behind-the-border" measures, which increasingly points to the need for special and differential treatment and development policy flexibility. The Doha Ministerial Declaration reaffirmed that "provisions for special and differential treatment are an integral part of the WTO Agreements", and mandates the Committee on Trade and Development to perform a review of "all special and differential treatment provisions ... with a view to strengthening them and making them more precise, effective and operational". Under the Doha work programme, the Committee was to consider the legal and practical implications for WTO members of converting

special and differential treatment measures into mandatory provisions, to identify those that members consider should be made mandatory and to report its results to the General Council with clear recommendations by July 2002. In addition, the Committee was to consider how special and differential treatment may be incorporated into the architecture of WTO rules.

19. A comprehensive set of 88 agreement-specific proposals was submitted by developing countries, including the African Group and least developed countries, to strengthen and operationalize special and differential treatment. Three deadlines passed without results. In April 2003, the Chairman of the General Council produced a categorization of 88 "agreement-specific" special and differential treatment proposals as a basis for further consideration by the General Council. The Chairman included 24 of those proposals for adoption in the Cancún ministerial text, Rev.1. At Cancún, in revision 2 to the text, a package of 27 special and differential treatment decisions was proposed. Revision 2 does not specifically identify concrete actions to be taken by WTO negotiating groups and bodies on the other issues, but defines monitoring and reporting arrangements to the General Council. The text also provided that the Committee on Trade and Development in special session was instructed to pursue expeditiously, within the parameters of the Doha mandate, the work on remaining agreement-specific proposals and other outstanding issues, and report with recommendations, as appropriate, to the General Council. Revision 2 did not establish a time frame for the completion of the overall work, but directed that a report on the issues be submitted to the next Conference. The lack of progress on commercially meaningful special and differential treatment was cited as a source of concern by developing countries.

Agriculture

20. Agriculture reform and liberalization, an unfinished business of the Uruguay Round, remains one of the most important issues in the multilateral trade negotiations. Most of the world's farmers live in developing countries and 70 per cent of the worst poverty in the world is in the rural areas of developing countries. Many developing countries specialize in the production of agricultural commodities and are dependent on farming for their food security, rural livelihood and subsistence, as well as export revenue. They have experienced continuously deteriorating terms of trade and mounting trade deficits. Over the past two decades, world agricultural commodities prices have fallen by some 50 per cent,[11] which currently translates into lost agricultural export earnings of over US$ 60 billion annually for developing countries. In most developed countries, high levels of support to agriculture, exceeding US$ 330 billion,[12] encourage overproduction and cause world price levels to fall close to, and even undercut, producer costs in developing countries. Negotiations to liberalize agricultural trade could bring about important gains for developing countries by eliminating the high levels of agricultural support in developed countries and reducing tariff barriers to agricultural trade. Estimates, including those by UNCTAD, point to the high potential for agricultural trade liberalization to contribute to economic development and poverty alleviation in developing countries.[13]

21. The Doha Ministerial Declaration sets the objective for the current round of Agreement on Agriculture[7] negotiations to achieve substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support, while

agreeing that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations to enable developing countries to effectively address their development needs, including food security and rural development. Negotiations concentrated on the three pillars of market access, export competition and domestic support.

22. The Doha work programme agriculture negotiations centred on considerations of which approach should be used for reductions of bound tariff rates, how deep reductions should be, how long the phase-in period should be, and in what ways and which formulas would apply differently to developed and developing countries. In discussions of export subsidies — used almost exclusively by developed countries — many countries are pressing for an elimination of export subsidies, while they also seek to identify safety net measures to alleviate possible transitory impacts on some developing countries from the elimination of export subsidies. Issues surrounding negotiations on domestic support include modalities for reductions in domestic support; criteria for permitted support; and lower support reductions over longer implementation periods for developing countries. Domestic support discussions are the most difficult.

23. In the Cancún ministerial text, Rev.2, both the level of liberalization by developed countries and the development flexibility for developing countries were left to negotiations after Cancún. On market access, the proposal, for developed countries, was to apply the European Community-United States proposed blended formula with a minimum level of overall tariff reductions across all agricultural products; and, for developing countries, to apply also a blended formula with a longer implementation period and without an overall target. Under this draft, tariff capping for developing countries remained under negotiation. Although numbers are not specified, the Group of 22 expressed concern that the formula for developed countries provided flexibilities to not reduce high tariffs by a substantial amount. Moreover, the formula proposed, provided for import-sensitive tariff lines. The Group of 22 has proposed reinforcement of special and differential treatment provisions.

24. On export competition, in respect of both export subsidies and export credits, the proposal was to reduce them but with no specific target numbers or time frame. The proposal for elimination of export subsidies refers only to products of particular interest to developing countries and for a list of such products to be established. For the remaining products, it was provided that export subsidies be reduced with a view to phasing out budgetary and quantity allowances. Most developing countries have expressed concern that there was no unequivocal commitment to eliminate export subsidies.

25. On domestic support, the proposal was that the most trade-distorting payments by developed countries would be reduced. The framework contains a commitment to review "green box" criteria with a view to ensuring that green box measures have no, or at most minimal, trade-distorting effects on production (without reference to capping these measures). Regarding the "blue box", a new extended category of "direct payments" support was proposed, which is capped and subjected to linear reductions. Many developing countries have called for capping the "green box" and eliminating the "blue box". There was more flexibility for developing countries for domestic support reductions.

26. The special safeguard mechanism remained under negotiations, although developing countries proposed that its use be discontinued for developed countries. The special safeguard mechanism for developing countries was included. The special products category, for which tariff reductions would be limited, was also included but neither the products nor the conditions or the selection rule had been defined. It proposed to exempt least developed countries from any reduction commitments, which was welcomed by them. In addition, it was proposed that the particular concerns of recently acceded members be addressed through provisions that could include longer implementation time frames or lower tariff reductions. It was provided that the peace clause, whereby the subsidies given mainly by developed countries during the implementation period would not be challenged, would be extended. The developing countries have pointed out that no such mandate was provided in the Doha Ministerial Declaration and have called for its discontinuance. There was recognition of the key issue of trade preferences and compensation for their erosion as a result of market access liberalization in agriculture. This erosion, as well as such losses as may arise from non-agricultural market access liberalization and overall trade liberalization undertaken as part of the Doha work programme, may be addressed through the initiatives put forward by the International Monetary Fund (IMF) and the World Bank at Cancún.

Market access for non-agricultural products

27. The main focus of non-agricultural market access negotiations has been to find a formula approach to tariff reduction that reduces substantial tariffs on non-agricultural products, while taking into account the needs of developing countries. Members have made various proposals for reductions in countries' tariff rates, with the most ambitious proposing global free trade by 2015. Other approaches include linear cuts and approaches that more significantly cut all of a country's rates to a harmonized international rate. The non-agricultural market access Chairperson proposed a modified formula that requires countries to make greater reductions on tariffs above their average rates and lower reductions on tariffs below their average rates. This proposal also envisaged free trade in a number of sectors said to be of export interest to the developing countries, supplemented by further cuts based on request and offer, sectoral and zero-for-zero negotiations. The non-agricultural market access Chairperson also proposed that all countries be required to increase their coverage of tariff bindings to 95 per cent of tariff lines and 95 per cent of imports.

28. Relative to tariffs, there has been little discussion on non-tariff barriers and how to reduce or eliminate them. These barriers include market-entry barriers, such as rules of origin, technical standards, and health and environmental requirements. Consideration is being given to a four-stage process to identify, examine, categorize and finally, to address non-tariff barriers through negotiations in non-agricultural market access or other relevant WTO bodies. Some special and differential treatment provisions have been proposed and many remain under consideration. In addition to the provision permitting flexibility to shelter a percentage of tariff lines from reductions, other proposed provisions include: longer time periods for tariff reductions; derogations from reduction commitments for least developed countries; best endeavour clauses for developed countries to grant duty and quota-free market access for non-agricultural products originating in least developed countries;

provisions for preference erosion resulting from tariff reductions; and, provisions for developing countries with high tariff revenue dependencies.

29. At Cancún, annex B to the ministerial text, Rev.2 included a framework for establishing modalities in market access, that essentially followed the non-agricultural market access Chairperson's proposals in placing the emphasis on a non-linear formula applied on a line-by-line basis to tariff-cutting, to be supplemented by sectoral tariff elimination on products of export interest to developing countries, and possibly also by zero-for-zero sectoral elimination and request-and-offer negotiations. Many developing countries and their groups have expressed a number of concerns about this approach, apart from its complexity. In particular, they are concerned that the non-linear formula approach would require them to make the greater tariff cuts, contrary to the Doha provision for less-than-full reciprocity, and that this would also entail substantial adjustments in their nascent industrial sectors. They also consider that the sectoral negotiations should be explicitly voluntary for developing countries. Some developing countries that have relatively low binding coverage, mainly in Africa, are concerned that the proposals would mean foregoing the use of tariffs for industrial development purposes and as a significant source of government revenue.

Services

30. Services, which account for over one fifth of total world trade, are an important component of trade for both developed and developing countries. The social dimension of services and universal provision of essential services is of particular importance in relation to access to sensitive sectors, such as financial services, health, education, utilities, transport, cultural and telecommunications services. Policies affecting these sectors have been influenced by considerations of national security, development objectives, and ensuring the widest possible infrastructure for various economic activities and consumer protection.

31. The negotiations on services have been under way in accordance with article XIX (Negotiation of Specific Commitments) of the General Agreement on Trade in Services (GATS) since 2000, and were subsequently incorporated in the Doha work programme. The Doha Ministerial Declaration (para. 15) provides for negotiations on trade in services to be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least developed countries. The Doha work programme provides for initial requests for specific commitments, which were to be submitted by 30 June 2002, and initial offers by 31 March 2003. Bilateral consultations on requests for market access commenced in July 2002. Developed countries were leading the process and developing countries have also made some requests and offers. However, most developing countries are still in the process of identifying their specific sectoral and modal interests, the barriers to their services exports, the impact of requests of developed countries on their services sectors and ways and means of overcoming supply constraints through implementation of GATS article IV.

32. The liberalization of services supply through temporary movement of natural persons (Mode 4) has been identified by developing countries as crucial to the expansion of their exports and poverty reduction. Some have submitted requests on Mode 4 to their trading partners and the latter have made some offers. Most of the initial offers so far submitted, according to developing countries, do not include

substantial commercially meaningful improvements to existing specific commitments in Mode 4. The constraints on cross-border movement of service suppliers are one of the most important asymmetries that need to be addressed by the specific commitments of developed countries.

33. The *Modalities for the Treatment of Autonomous Liberalization*, adopted in March 2003, represented a step forward, although these do not create any legal obligations, nor do they establish any automatic right to credit or recognition. A positive factor is that this includes liberalization undertaken as part of structural adjustments programmes under the aegis of IMF and the World Bank. WTO members agreed on modalities for special treatment for least developed countries in accordance with the provisions of article XIX.3 of GATS. It includes, inter alia, that developed countries shall exercise restraint in seeking commitments from least developed countries; least developed countries shall not be expected to offer full national treatment, nor are they expected to undertake additional commitments under article XVIII of GATS on regulatory issues which may go beyond their institutional, regulatory, and administrative capacities; least developed countries may make commitments which are limited in terms of sectors, modes of supply and scope; and WTO members shall to the extent possible consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by least developed countries.

34. Another important area of work relates to article VI.4 disciplines on domestic regulation, on which limited progress has been achieved. Developing countries have asserted that regulatory reform is of key importance to them and have highlighted that the pace of liberalization that a country plans to implement needs to be adjusted so that its supervisory and regulatory capability is not compromised. The deadline for negotiations on an emergency safeguard mechanism was extended to March 2004, owing to insufficient progress. Some developing countries consider that, without such a mechanism, their ability or willingness to make concessions would be limited, given the weakness of their service suppliers. However, some of them do have concerns that such a mechanism may be more amenable to use by developed countries against developing countries in view of the complexity of such a mechanism. On subsidies and government procurement, work has not advanced.

35. Services are particularly important given their role in growth and development of the whole economy, parallelism with other market access negotiations and for the overall balance of negotiations. At Cancún, developing countries indicated their expectations of some progress particularly in terms of multilateral commitments to make commercially significant offers in sectors and modes of supply in interests to developing countries, particularly Mode 4 from developed countries. Effective addressing of the assessment of trade in services and operationalization of GATS articles IV (relating to increasing participation of developing countries in trade in services) and XIX.2 (which provides for flexibility to individual developing country members in the context of progressive liberalization) was also sought.

Trade-related aspects of intellectual property rights

36. The Doha mandate on TRIPS, inter alia, provided for work on the following issues. Regarding transfer of technology from developed countries to the least developed countries, the TRIPS Council adopted in February 2003, a decision on the implementation of this provision, with a view to putting in place a mechanism for

ensuring the monitoring and full implementation of the obligations of this article. The Doha work programme also focuses on the relationship between the TRIPS Agreement and the Convention on Biological Diversity, including the protection of traditional knowledge. Developing countries have a particular interest in the Convention as the vast majority of global biodiversity and traditional knowledge lies within their territories and their preservation is important for development, poverty reduction and competitiveness. There are concerns that the genetic resources and traditional knowledge of developing countries are often used commercially and/or patented in developed countries with little or no benefit to the owners of the genetic resources (i.e., the sovereign States, as per the Convention), or of the traditional knowledge, and without their prior informed consent. It is important for them that a serious effort be made to evolve an enforceable protection regime in this area and that the implementation of provisions such as those relating to sui generis systems for the protection of plant varieties. At Cancún, the second revised ministerial text (CMT Rev.2) called for work to be pursued in accordance with paragraph 19 of the Doha Ministerial Declaration.

37. On geographical indications (place names used to identify the origin and quality, reputation or other characteristics of products), the debate focused on the modalities for the establishment of a multilateral system of registration for the enhanced protection of wines and spirits and the extension of such geographical indications protection given to products other than wines and spirits. The second revised text noted the progress made in the negotiations on the geographical indications multilateral system and instructed the special session of the TRIPS Council to continue work as mandated in paragraph 18 of the Doha Ministerial Declaration, and provided that negotiations be completed by a date to be set. As part of implementation issues, it also provided for review of progress by the General Council on the extension of geographical indications and for taking appropriate action.

Rules-negotiations

38. The Doha Ministerial Declaration mandated the "clarification and improvement" of certain procedures and disciplines and the application of certain trade remedial measures used by members. These pertained to anti-dumping measures, the Agreement on Subsidies and Countervailing Measures, in particular the "fish subsidies" and regional trade agreements. Anti-dumping measures have proliferated over the years. From 1995 to 2001, an average of over 150 measures per year were taken by WTO members. Nearly one half of these were applied against developing countries and anti-dumping measures are increasingly being used by the developing countries. Some developing and developed countries want to tighten the rules for the imposition of such measures. Developing countries have emphasized that improvements of rules are needed to ensure prevention of abusive and excessive anti-dumping measures; clarify and improve rules to avoid burdensome procedures; enhance transparency and predictability of such measures and strengthen special and differential treatment and capacity-building.

39. On subsidies, one proposal is that, while imposing countervailing duty on the products of developing countries, only the difference of what exceeds the de minimis level should be imposed. It has also been proposed to raise the de minimis level for developing countries. Another proposal is that the special and differential treatment provisions need not be changed or expanded and that the basic objective

of the Agreement to prohibit export and import substitution subsidies should prevail. Developed countries have also raised the issue of the extension of the application of non-actionable subsidies (art. 8) that has now expired through article 31 of the Agreement on Subsidies and Countervailing Measures. The Friends of Fish consider fish subsidies as being harmful to the environment and the cause for the depletion of marine life. Another view is that these subsidies are for scientific and infrastructural improvements and, therefore, are non-trade distorting.

40. The discussions in the negotiating group on rules on regional trade agreements has focused on "transparency" in such agreements, the methodology and procedure regarding notifications, definition of terms such as "substantially all trade" and the clarifications of article XXIV of the General Agreement on Tariffs and Trade (GATT), "other restrictive regulations", etc.

Trade and environment

41. The Doha Ministerial Declaration (para. 31) calls for immediate negotiations on (a) the relationship between specific trade obligations in multilateral environmental agreements and existing WTO rules; (b) information exchange between multilateral environmental agreement secretariats and relevant WTO committees; and (c) the reduction and/or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. Cancún ministerial text, Rev.2 took note of progress made by the special session of the Committee on Trade and Environment Progress and reaffirmed a commitment to those negotiations. The most progress has been made on the issue of regular information exchange between multilateral environmental agreement secretariats and relevant WTO committees.[14]

42. Negotiations on trade liberalization in environmental goods are taking place in the non-agricultural market access group, with the Committee on Trade and Environment Progress playing a role in clarifying concepts. From a policy perspective, relevant questions are (a) whether to grant special treatment to such goods and, if so, in what form; and (b) to which goods special treatment would be granted. So far, negotiations in the non-agricultural market access group have focused on finding agreement on modalities. Environmental goods may eventually be included among sectors identified for further liberalization. Developing countries are net importers of products included in lists of environmental goods circulated thus far. Revision 2 of the Cancún ministerial text encouraged the group to work closely with the Committee, which provided an opportunity to identify products of interest to developing countries.

43. The frequency, stringency and complexity of environmental measures in major export markets of developing countries have been seen as acting as non-tariff barriers. Notification of environmental measures under the Agreement on Technical Barriers to Trade have steadily increased, accounting for about 13 per cent of all notifications. Almost 90 per cent of internationally traded goods are subject to measures taken by Governments for the protection of the environment and human health. Some members stressed that there was sufficient scope in existing WTO agreements to ensure that environmental measures do not unduly restrict exports; the rules of the Agreement on the Application of the Sanitary and Phytosanitary Measures Agreement and the Agreement on Technical Barriers to Trade were referred to in particular. Regarding labelling, most members agreed that voluntary, participatory, market-based and transparent environmental labelling schemes were

potentially efficient economic instruments. However, mandatory eco-labels based on non-product related process and production methods could undermine the competitive advantage of developing countries.

Singapore issues

44. The relationship between trade and investment, the interaction between trade and competition policy, transparency in government procurement and trade facilitation were introduced into the WTO work programme during the First Ministerial Conference of the World Trade Organization, held in Singapore in 1996. Under the Doha Ministerial Declaration (paras. 20-27), these four issues have been given a similar mandate, which provides that "negotiation will take place after the fifth session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations". Proponents of Singapore issues have highlighted the need to commence negotiations on modalities in order to promote greater investment flows, fairer competition, more transparent public procurement and efficient trade-related infrastructure.

45. Many developing countries have indicated the value of transparency in government procurement, more efficient trade facilitation infrastructure, adoption of competition policy and control of anti-competitive practices in international trade and the need to have investment policy frameworks that are conducive to attracting investment and promoting development. They have also adopted national laws and policies with regard to some of those issues and entered into bilateral or regional arrangements. There has been, however, hesitancy in having binding multilateral agreements on those issues lodged in WTO. Many perceive that multilateral agreements on these "behind-the-border" issues will extend the frontiers of the multilateral trading system further into national policy space and to issues not directly affecting trade. At the same time, most developing countries point out that financial and institutional constraints already limit their ability to negotiate and implement any WTO agreements. In addition, to a certain degree, the attitude of developing countries to the Singapore issues has been conditioned by the progress on implementation-related issues, special and differential treatment and agriculture. Furthermore, they would also like to see further clarification on the substance of the issues, in order to understand fully the implications, including costs and benefits for them.

46. Given the lack of consensus on whether and, if so, how to take the Singapore issues forward, the proposal on Singapore issues in revision 1 of the Cancún ministerial text (including in annexes D to G on modalities) provided the option of either beginning negotiations on modalities or continuing the process of studying and clarifying the issues. Regarding the latter, some elements for clarification were proposed by a group of developing countries.[15] There were no suggestions on any intermediate solutions.

47. At Cancún, revision 2 of the ministerial text provided a differentiated approach to the four Singapore issues with negotiations to commence on transparency in government procurement and trade facilitation on the basis of annexed modalities. On investment, it proposed that the clarification process be intensified and that modalities that would allow negotiations on a multilateral investment framework to start be adopted by the General Council by a specific date that would coincide with the date for agreeing on modalities on agriculture and non-agricultural market

access. On competition, revision 2 proposed that further clarification be undertaken, including consideration of possible modalities for negotiations, and that a progress report be provided to the General Council by a specific date that would coincide with the date for agreeing on modalities on agriculture and non-agricultural market access. Learning from the Cancún experience, the future of the Singapore issues in the Doha work programme and the WTO agenda may need to be reviewed in the light of the discussion at Cancún.

Small economies

48. Small economies have called for the mandated work under the Doha work programme to proceed beyond the examination of the particular structural disadvantages and vulnerabilities affecting their participation and integration into the multilateral trading system, to adopting specific recommendations and measures for their beneficial participation in the system.

Transfer of technology

49. WTO ministers decided in Doha to establish a Working Group on Trade and Transfer of Technology and a number of matters have been raised therein. These include the definition of transfer of technology (what constitutes technology, processes and access to technology, channels of transfer); the enabling environment (the absorptive capacities of the host countries, human capital, infrastructure, legal framework and macroeconomic conditions); home and host country policies (policies of both host and home countries to facilitate transfer, past practices, problems faced by host countries); intellectual property rights and transfer of technology (the level of intellectual property rights protection and transfer of technology, whether there was a link, patents acquired by public sector undertakings through public funds); foreign direct investment and transfer of technology (the types of foreign direct investment and actual transfer of technology, linkages between the two, whether state-of-the-art technology or obsolete technology was transferred); WTO agreements and transfer of technology (the relevant provisions in the WTO agreements and their enforceability); and technical assistance, including assistance to least developed countries.

Trade, debt and finance

50. The Doha Ministerial Declaration established a Working Group on Trade, Debt and Finance to examine the relationship between trade, debt and finance and to recommend possible steps, within the mandate of WTO, to enhance capacity of multilateral system and find durable solutions to the problem of external indebtedness. It further sought to strengthen the coherence of international trade and financial policies with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. Discussions in the Working Group on Trade, Debt and Finance centred on the relationship between trade and finance, the relationship between trade and debt and coherence between international trade and financial policies. While the developing countries are seeking sustainable solutions to their external debt problem, the developed countries see little scope for action within the multilateral trading system itself. Many developing countries indicated that volatility of the markets, price fluctuations, interest rates, exchange rates and conditionalities by the international financial institutions have contributed to their problems. Developing countries underlined the need for policy space to

defend themselves from speculative capital in the trading system. Other countries have advocated that a pro-liberalization approach along with structural and trade policy reforms with transparency would be able to address these issues. Further, strengthening of existing institutions and addressing supply side issues would also help in addressing this concern.

51. On building greater coherence between international organizations, the Working Group on Trade, Debt and Finance deliberated on the possible establishment of facilities to keep trade-finance alive in periods of financial instability and the need for better integrating the work of international organizations in the areas of capacity-building and trade infrastructure. The issues of the liberalization of financial services, the efforts under way in the international financial architecture, as well as the links between WTO and other institutions on long-term, cross-border investments and capital account liberalization were also discussed.

Least developed countries

52. The Cancún ministerial text, Rev.2 acknowledges the seriousness of the concerns of least developed countries as expressed in the Dhaka Declaration adopted in June 2003, and addresses a number of least developed countries' interests. Key issues of concern to them include (a) binding duty-free quota-free market access for all products (agricultural and non-agricultural products) originating from least developed countries; (b) measures to address preference erosion; (c) agriculture where they are demanding exemption from all reduction commitments in the three pillars; and (d) special and differential treatment where they feel proposals that have greater developmental value have yet to be considered. Revision 2 recognized the need to adopt and implement rules of origin so as to facilitate exports from least developed countries. In addition, it noted under coherence the initiative announced by IMF and the World Bank at the Conference to work with WTO to address the problems faced by some developing country members in adjusting to more liberal trade environment. In services negotiations, revision 2 provided for members to give priority to sectors and modes of supply of interest to least developed countries particularly, movement of service providers under Mode 4. Furthermore, the modalities for the special treatment of least developed countries in the negotiations on trade in services was adopted on 4 September 2003. On 19 February 2003, the TRIPS Council adopted a decision on the implementation of article 66.2 of the TRIPS Agreement relating to grant of incentives for transfer of technology to least developed countries.

IV. Regional arrangements and other trade measures[16]

A. Regional arrangements

53. It is estimated that over 40 per cent of world merchandise trade takes place under existing regional and bilateral arrangements, and over 50 per cent of emerging arrangements are taken into account. As at end-December 2002, 259 regional trade agreements have been reported to GATT and WTO.[17] Of these, 176 regional trade agreements are currently in force. An additional 70 regional trade agreements are estimated to be operational, although not yet reported, and 70 are under negotiation.

There has been a burgeoning of regional trade agreements since the formation of WTO. Members of the Association of Southeast Asian Nations (ASEAN) and China signed a framework agreement to begin negotiations in 2003. ASEAN would begin talks with India and Japan on similar arrangements. Japan signed its first free trade agreement with Singapore in 2002 and is now negotiating a number of other similar arrangements. The same year, the African Union replaced the Organization of African Unity and launched the New Partnership for Africa's Development (NEPAD). The European Union has played a major role in concluding economic and regulatory cooperation and agreements, including free trade agreements with Turkey, Mexico, South Africa and Chile. Euro-Mediterranean association agreements have also been concluded or are being negotiated with North African and Middle Eastern countries. In September 2003, the European Union and the African, Caribbean and Pacific Group of States formally launched the second phase of negotiations on economic partnership agreements, which are to be effective in 2008. The United States Trade Promotion Authority Act provides for negotiations on the Free Trade Area of the Americas and on bilateral trade agreements. The United States has concluded bilateral arrangements with Chile and Singapore. Many of the new generation arrangements cover, inter alia, a number of trade-related issues. The United States has indicated its intention to begin negotiations to form free trade agreements with the South African Customs Union, Morocco, Bahrain, Australia, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

B. Other trade measures

54. During December 2002, the European Council approved the enlargement of the membership of the European Union from 15 to 25 countries. A reform of the European Union's Common Agricultural Policy was launched in 2003, which is to make payments conditional, inter alia, on environmental, food safety and animal welfare standards rather than production. The United States Farm Security and Rural Investment Act of 2002, while excluding direct and permanent price support measures, increases planned expenditures for agricultural support to $180 billion over the next 10 years and includes measures that would be triggered by a fall in the price of agricultural commodities. Various security related actions that were taken in major developed markets affected international trade and led to a slowdown in the movement of goods and people, particularly in the tourism sector. An example is the United States Container Security Initiative and the Customs Trade Partnership Against Terrorism, which aims at enhancing security of supply chains, detecting high-risk cargo at ports of origins and setting up new partnerships among customs administrations. In addition, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 was signed into law.

V. Role of the United Nations Conference on Trade and Development

55. UNCTAD is the focal point within the United Nations for the integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development.[18] As such, UNCTAD acts as a facilitator for the beneficial and fuller integration of developing countries into the multilateral and wider international trading system. UNCTAD has been

working with regional commissions and other agencies of the United Nations system to carry out its mandate. UNCTAD provides a forum for developing and developed countries to meet, discuss and evolve, on a regular basis, an integrated and strategic view of trade and development issues in all their dimensions and within the context of the larger international trading system – be it multilateral, regional or bilateral. UNCTAD helps in clarifying issues and building consensus with its research, policy analysis, and intergovernmental deliberations in such areas as services, market access, commodities, WTO accession, trade preferences, trade and environment, the special situation and concern of least developed countries and small economies, trade and investment, trade and competition policy and trade facilitation.

56. Over many years, and with financial support from bilateral donors and the United Nations Development Programme (UNDP), UNCTAD has delivered technical assistance and capacity-building activities to strengthen domestic policy, institution and human resources capacities of developing countries to develop trade policies, engage in trade negotiations, use the dispute settlement mechanism, and accede to WTO, as have Cambodia and Nepal. It has developed a number of analytical tools such as the World Integrated Trade Solution (WITS), the Trade Analysis and Information System (TRAINS) and the Agriculture Trade Policy Simulation Model (ATPSM). At their request, UNCTAD assisted countries or groups of countries in their preparatory processes for the Cancún Conference. UNCTAD cooperates closely with WTO in delivering trade-related technical assistance and, together with the International Trade Centre and WTO, implements the second phase of the Joint Integrated Technical Assistance Programme and is an active partner with five agencies (IMF, World Bank, ITC, WTO, UNDP) in implementing the IF for the trade-related capacity-building for LDCs. UNCTAD cooperates with regional commissions and other international organizations in delivering technical assistance and capacity-building.

57. The ninth session of UNCTAD, to be held in São Paulo, Brazil, in June 2004, and the preparations for it could contribute to reinforcing confidence in the multilateral trading system and among different trading partners and member States. The agenda that has been adopted for the Conference dwells on enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries. The agenda has four sub-items, one of which covers assuring development gains from the international trading system and trade negotiations. The UNCTAD XI process could contribute positively to a balanced progress in the Doha work programme.

VI. Development benchmarks

58. Some critical development benchmarks can be highlighted against which an assessment of progress in mainstreaming development into WTO can be undertaken.

Openness and liberalization

59. Liberalization can remove distortions and generate efficiency and welfare gains in the immediate, medium and long term for all countries. Liberalization, however, has to be looked at in a holistic manner. The pace, sequencing and the relative ability of countries to absorb the costs and dislocation arising from

liberalization have to be factored in to effectively realize development gains. For developing countries, in order to capture the benefits of liberalization, support mechanisms that go beyond traditional technical cooperation directed at implementing WTO agreements and encompassing social safety nets, adjustment support, infrastructure investment, institution-building etc., need to be in place to help to lift their supply capacity and to cope with adjustment difficulties and costs.

Harvesting the gains

60. The multilateral trading system, through trade liberalization, can generate many gains for all countries. Harvesting these gains will give developing countries the much needed confidence in the ability of the system to deliver development. A firm commitment to carry forward the Doha mandate through expeditious and time-bound reduction, capping, disciplining and elimination of trade distorting domestic support, export subsidies and tariff and non-tariff market access barriers in agriculture alone, is expected to deliver production, export, income and welfare gains for developing countries to between US$ 10 billion to $40 billion per annum, the latter being almost equal to the total development assistance provided to them at present. UNCTAD[19] estimates also indicate that the welfare gains from liberalization of all sectors for developed countries themselves could be as high as $140 billion per annum.[20]

61. It has been estimated that the potential gains to developing countries in non-agricultural market access negotiations are similar to those in agriculture, if the bias of tariff protection against developing country products and tariff peaks and escalation are removed and various market entry barriers and non-tariff barriers, such as standards and regulations — SPS, trade barrier tariffs and environmental (both Government and voluntary) — complex rules of origin criteria, and anti-competitive market structures and practices are also addressed. Development-oriented market access negotiations would promote and support successful diversification especially by commodity dependent developing countries and least developed countries. However, attention needs to be paid to least developed countries and other developing countries which, facing the important loss of preferences and tariff revenue, would experience difficulties in adjusting to MFN liberalization.

62. A key to the gains in non-agricultural market access is freeing textile trade under the Agreement on Textile and Clothing in 2005 as mandated; for developing countries, this could generate income gains of $24 billion per year, export revenue gains of $40 billion and employment generation of about 27 million jobs.[21] The efficiency and welfare gains to the importing developed countries themselves could be as high, for example, as US$ 18 billion in the United States[22] and €25 billion in the European Union per annum.[23] In services, progressive liberalization and increasing participation of developing countries in international trade in services, particularly of temporary movement of natural persons to supply services (Mode 4) to OECD markets, will bring benefits to all countries. An increase in developed countries' quotas on the inward movement of both skilled and unskilled temporary workers equivalent to 3 per cent of their workforces would result in estimated welfare gains for all countries of about $150 billion per annum.[24]

Equal opportunity for unequal partners

63. Equitable rules and their fair application are the ultimate protection of the weaker trading nations. This is a key purpose of the multilateral trading system. From this standpoint, the principle of special and differential treatment is meant to factor in structural and emerging asymmetries between the developed and developing countries, which justifies more favourable treatment to developing countries if they are to be given an equal opportunity to compete in international markets. These disparities include those in per capita income; supply capacities; size, market power and scope of their industries and enterprises; capital and technological edge; ability to subsidize agriculture, industry, services and research and development; and availability and costs of economic, trade-related and financial infrastructures. These asymmetries need to be addressed in all existing agreements and any new agreements envisaged need to be pegged such that the rules fully accommodate the developmental, financial and trade needs of developing countries and provide them sufficient policy space. Traditional means of developmental flexibility such as transition periods and permitted derogations need to be combined with special considerations and meaningful preferential treatment by developed countries.

Striving for a better balance

64. The Doha work programme is also about balance — balance between the legacy of rights and obligations, costs and benefits from the previous round and those from the work programme; balance of loss and gain within each area and in overall terms; balance in the processes, selection of issues, sequencing and time lines and the levels of ambition and of outcome. Rebalancing would involve dealing purposefully with implementation issues. Care also needs to be taken not to give rise to new imbalances, even as the previous ones are in the process of being rectified. Balance requires that trade-offs lead to positive sum outcomes for all parties, particularly for developing countries. Transparency and increased participation of developing countries in the complex decision-making processes is another imperative. Accelerated and facilitated accession of developing countries on terms commensurate with their level of development continues to be a key priority. The accession of Cambodia and Nepal to WTO, the first two least developed countries to do so, is an important step towards the universality of the organization. For other least developed countries in the accession process, the faithful implementation of the decision on guidelines for their accession is called for.

Serving public interest

65. The United Nations Millennium Declaration (General Assembly resolution 55/2) commits the international community to making the right to development a reality for everyone and resolves to create an environment at national and global levels conducive to development and to the elimination of poverty. The common good, public interest and impact on, and ways to help the poor should be the guiding light of a development-oriented multilateral trading system. Efforts must be made to ensure that the system is sensitive and responsive to the key issues facing developing countries, including eradication of poverty, fighting infectious diseases and epidemics and ensuring provision of basic social services to the poor and the underprivileged. The TRIPS and public health declaration at Doha and the recently

adopted Decision was a breakthrough, in that it recognized that trade is not value neutral and that public interest must be a priority.

Revitalizing the commodities sector

66. Raising the profile of commodities in the multilateral and wider international trade and development cooperation agenda and evolving supportive international environment for commodity dependent developing countries is long overdue. Some 50 countries depend on just two or three commodity exports and 39 of them on exports of single commodities. In order to reach the Millennium Development Goals on poverty reduction, these countries need to achieve a strong revival of their commodity sectors and higher value realization from their exports.

Coherence

67. Key to the development orientation of the Doha work programme is the degree of coherence that can be brought to bear among the different areas of negotiations and disciplines, between the different multilateral institutions and policies and between these and regional and national processes and strategies. There are three aspects which need to be constantly monitored and complementarities ensured, namely: (a) need for synergy and proper sequencing between the capacities of the developing countries, the level of obligations imposed, cost of implementation and the adequacy of financial and technical resources made available to them; (b) positive linkages between trade, financial, monetary, technology policies of developed countries and the success of developing countries' trade liberalization and their reaping development gains; and (c) implications of the multilateral trade negotiations and the multilateral trading system on a number of issues that occupy a crucial role in development namely poverty elimination, employment, food security and rural development, environment, health, culture, gender, migration, competition, technology and enterprise development.

Technical assistance and capacity-building

68. Trade-related technical assistance and capacity-building for developing countries is a critical aspect of the development dimension of the multilateral trading system. It is essential in assuring effective and quality participation by developing countries in the trade negotiations. It is also important in meeting capacity-building requirements for institutional and legislative changes arising from the implementation of WTO agreements, and for policy adjustments to take advantage of the opportunities created. In this light, there is greater need for the international community to provide the necessary financial support to UNCTAD and other agencies, so as to effectively meet on a sustained basis, the growing needs of developing countries for need-based, targeted and demand-driven technical assistance.

VII. Conclusions

69. All countries have shared interests in the success of the Doha work programme and the realization of its core development agenda. If effectively pursued and implemented, the work programme could put in place important elements for achieving the Millennium Declaration Goal, reiterated in the

Monterrey Consensus and the World Summit on Sustainable Development, of "an open, equitable, rule-based, predictable and non-discriminatory multilateral trading ... system". It is clear that a systematic effort and considerable political will is needed to deliver on the "Development Agenda" of Doha. Progress in mainstreaming development into WTO can be assessed against a number of "benchmarks for development". In this process, UNCTAD can play an important role in contributing to awareness and consensus-building on multilateral trading system issues and the development implications.

Notes

[1] See, in particular, the note by the UNCTAD secretariat entitled "Review of developments and issues in the post-Doha work programme of particular concern to developing countries: the outcome of the Fifth WTO Ministerial Conference", TD/B/50/8.

[2] See UNCTAD, *Trade and Development Report, 2003*.

[3] World Trade Organization, *World Trade Report 2003*.

[4] UNCTAD, *Handbook of Statistics, 2002*.

[5] The mini-Ministerial meeting of selected countries held in Montreal, Sydney, Sharm El Sheik and Tokyo. Several regional and subregional meetings of developing countries at the ministerial level, such as least developed countries, the African, Caribbean and Pacific Group of States, Arab States and the African Union. In addition, a declaration was issued by the Group of 77.

[6] After the formation of the Cairns Group in the 1980s, the creation of the Group of 22 represents a major development.

[7] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[8] These issues include (a) the implementation by developed countries of their trade commitments and obligations; (b) imbalances in rights and obligations contained in the WTO Agreements; (c) lack of realization of expected benefits arising from the WTO Agreements, for example in agriculture and textiles and clothing; (d) effective operationalization of provisions on special and differential treatment; and (e) difficulties in the implementation of commitments and obligations by developing countries and their need for flexibility.

[9] A/C.2/56/7, annex.

[10] WT/MIN(01)17. Available on the Internet at http://docsonline.wto.org.

[11] UNCTAD, *Handbook of Statistics*.

[12] Organisation for Economic Cooperation and Development, *Agricultural Policies in OECD countries: Monitoring and Evaluation*, Paris, OECD, 2002.

[13] Simulations completed by UNCTAD show that agricultural trade liberalization could result in static gains to developing countries of about US$ 10 billion annually.

[14] The Committee on Trade and Environment Progress has been inviting the secretariats of certain multilateral environmental agreements, the United Nations Environment Programme and UNCTAD to participate in its meetings as observers. In revision 2 of the Cancún ministerial text, this invitation would be "for the duration of the negotiations", rather than on an ad hoc basis.

[15] See WTO documents WT/GC/W/513 and WT/GC/W/514 and Corr.1.

[16] Department of Economic and Social Affairs and UNCTAD, *World Economic Situations and Prospects 2003*.

[17] WTO, *World Trade Report 2003*.

[18] See also "Preparations for UNCTAD XI" (TD(XI)/PC/1).

[19] UNCTAD estimations and Kym Anderson "How can agricultural trade reform reduce poverty?" (report forthcoming).

[20] Kym Anderson, "How can agricultural trade reform reduce poverty?" (UNCTAD report forthcoming).

[21] International Monetary Fund and the World Bank, "Market access for developing country exports — Selected issues", 26 September 2002, pp. 42-43.

[22] World Bank, "World Development Report 1987", p. 150.

[23] Joseph F. Francois, Hans H. Glismann, and Dean Spinanger, "The Cost of EU Trade Protection in Textiles and Clothing", Working Paper No. 997, August 2000, Kiel Institute of World Economics, p. 67.

[24] L. Alan Winters, Terrie L Walmsley, Zhen Kun Wang and Roman Grynberg, March 2002 "Negotiating the Liberalization of the Temporary Movement of Natural Persons".

United Nations A/58/415–S/2003/952

General Assembly
Security Council

Distr.: General
7 October 2003

Original: English

General Assembly
Fifty-eighth session
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Culture of peace

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Fifty-eighth year

03-54691 (E) 211003

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Third United Nations Conference on the Least Developed Countries

Permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources

Follow-up to the International Conference on Financing for Development

Report of the United Nations High Commissioner for Refugees, questions relating to refugees, returnees and displaced persons and humanitarian questions

Right of peoples to self-determination

Human rights questions

Measures to eliminate international terrorism

Letter dated 3 October 2003 from the Permanent Representative of the Islamic Republic of Iran to the United Nations addressed to the Secretary-General

I have the honour, in my capacity as Chairman of the Organization of the Islamic Conference Group in New York, to transmit herewith the final communiqué of the Annual Coordination Meeting of Ministers for Foreign Affairs of the Member States of the Organization of the Islamic Countries, held at United Nations Headquarters in New York on 30 September 2003 (see annex).

I should be grateful if you would arrange for the present letter and its annex to be circulated as a document of the General Assembly, under agenda items 10, 11, 14, 23, 24, 28, 30, 35, 36, 37, 38, 40, 43, 44, 50, 55, 56, 57, 60, 70, 73, 76, 84, 91, 93, 95, 96, 98, 102, 103, 104, 112, 116, 117 and 156, and of the Security Council.

(*Signed*) M. Javad **Zarif**
Ambassador
Permanent Representative

Annex to the letter dated 3 October 2003 from the Permanent Representative of the Islamic Republic of Iran to the United Nations addressed to the Secretary-General

Final Communiqué of the Annual Coordination Meeting of Ministers of Foreign Affairs of the Member States of the Organization of the Islamic Conference (OIC)

United Nations – New York
4 Shaa'ban 1424 H
30 September 2003

**Final Communiqué of
the Annual Coordination Meeting
of Ministers of Foreign Affairs of the Member States of
the Organization of the Islamic Conference (OIC)**

**United Nations - New York
4 Shaa'ban 1424 H
30 September 2003**

The Ministers of Foreign Affairs of the OIC Member States held their Annual Coordination Meeting at the United Nations Headquarters in New York on 4 Shaa'ban 1424H (30 September 2003), under the chairmanship of His Excellency Dr. Javad Zarif, Permanent Representative of the Islamic Republic of Iran to the United Nations, and adopted the following:

1. The Meeting *emphasized* its strong conviction about the significant role that the United Nations, as the only universal multilateral organization, can play in strengthening global coordination and cooperation in dealing with global challenges and threats, and *reaffirmed* the determination of the OIC Member States to actively work with the United Nations along this line in accordance with its Charter.

2. The Meeting *reaffirmed* its resolve to contribute effectively to the maintenance and promotion of regional and global peace and security, to preserve peace and security of all OIC Member States, to reject misinformation campaigns and threats against Islamic countries, and to extend full support and solidarity to Islamic countries facing external pressure, threats and interference in their domestic affairs in accordance with the United Nations Charter, and *called* for the settlement of disputes between States by dialogue on the basis of international law and the respect for the principles of sovereignty and non-interference in the internal affairs of the States.

3. The Meeting *underlined* the importance of dialogue, understanding and mutual respect among religions and cultures and stressed the need for a long term strategy which should aim at creating and promoting a culture of peace based on harmony and understanding across religious and cultural identities. In this regard, the Meeting *recalled* the initiatives from the Islamic world: Dialogue among Civilizations-Iran; Religious and Cultural Understanding, Harmony and Cooperation-Pakistan; International Decade for a Culture of Peace and Non-Violence for the Children of the World, 2001-2010-Bangladesh; Seminar on Islam and the West-Qatar.

4. The Meeting *welcomed* the proposal presented by President Pervez Musharaf of Pakistan for the strategy of "Enlightened Moderation" involving socio-economic and human development in the Islamic World, and simultaneous action by the international community, including the United Nations, to promote solutions to conflicts and disputes afflicting the Islamic World on the basis of justice and international law and legality, to prevent discrimination against Muslims and against their religion, Islam, and to support the development efforts of the Islamic countries.

5. The Meeting *reaffirmed* its support for the right of the Palestinian people to national independence and the exercise of sovereignty in their State, Palestine, with Al-Quds Al-Sharif as its

capital. It *reaffirmed* the rights of the Palestine refugees in accordance with international law and General Assembly resolution 194(1948). The Meeting *reiterated* its solidarity with the Palestinian people in their struggle under their legitimate national leadership.

6. The Meeting *reaffirmed* the centrality of the cause of Al-Quds Al-Sharif for the whole Islamic Ummah. It affirmed the Arab nature of East Jerusalem and the need to defend the sanctity of Islamic holy places as well as Christian holy places. It reiterated its condemnation of Israeli attempts to change the status and the character of the City. It also *condemned* the recent Israeli provocations, such as the decision to allow by force the entry of non-Muslims, including hostile extremists, to Al-Haram Al-Sharif.

7. The Meeting *reaffirmed* its support for a comprehensive peace process, based on relevant United Nations resolutions, including Security Council resolutions 242 (1967), 338 (1973) and 1397(2002) as well as agreed principles, which call for Israel's complete withdrawal from the Occupied Palestinian Territory, including the City of Al-Quds Al-Sharif and all other occupied Arab territories. In this context, the Meeting *reiterated* its endorsement of the Arab Peace Initiative as approved by the Fourteenth Arab Summit, held in Beirut, Lebanon, on 28 March 2002.

8. The Meeting *also reiterated* its support to the efforts made by the Palestinian Authority in implementing the Road Map, and warned against Israeli acts aimed at derailing its implementation and even its destruction. It *called* upon the Quartet to increase its efforts to resuscitate the Road Map and to pursue its implementation towards its stated goals.

9. The Meeting strongly *condemned* Israeli policies and practices in the Occupied Palestinian Territory, including Al-Quds Al-Sharif. It *condemned* in particular the willful killings of Palestinian civilians, including extra-judicial executions; the wanton destruction of homes, infrastructure and agricultural lands; the detention and imprisonment of thousands of Palestinians; and the imposition of collective punishment on the entire Palestinian population, including severe restrictions of the movement of persons of goods and prolonged curfews. The Meeting *reiterated* the legal obligations of the High Contracting Parties to the Fourth Geneva Convention vis-à-vis the above-mentioned acts, in particular to those of constituting war crimes.

10. The Meeting also further strongly *condemned* the illegal Israeli policy and practice of settler colonialism, as well as the building of the expansionist wall, involving the confiscation of thousands of more dunums of Palestinian land, the isolation of dozens of Palestinian villages, towns and cities and the destruction of property and the livelihood of thousands of Palestinians.

11. The Meeting *directed* the Permanent Missions of the OIC Member States in New York to increase their efforts at the United Nations to uphold OIC positions on Palestine. It *called* for ensuring that the Israeli representation in the work of the United Nations General Assembly and international conferences be in conformity with international law, and that the Israeli credentials do not cover the territories occupied by Israel since 1967, including East Jerusalem.

12. The Meeting *condemned* the decision of the Israeli Government on 11 September 2003 to ex President Yasser Arafat, the elected President of Palestine. It *welcomed* the adoption on 19 Septem 2003 by the United Nations General Assembly of resolution ES-10/12, which demanded that Isr desist from any action of deportation, and to cease any threat to the safety of the elected Presiden the Palestinian Authority.

13. The Meeting also strongly *condemned* Israel's policy of refusing to comply with Secu Council resolution 497 (1981) concerning the occupied Syrian Golan and its policies of annexati building of colonial settlements, confiscation of land, diversion of water sources and imposition Israeli nationality upon Syrian citizens. It also *demanded* Israel to completely withdraw from occupied Syrian Golan to the June 4th, 1967 lines in accordance with Security Council resoluti 242(1967) and 338(1973), the principle of land for peace, the Madrid Peace Conference terms reference and the Arab Peace Initiative, adopted by the Beirut Arab Summit.

14. The Meeting *supported* Lebanon in its efforts to complete the liberation of all its territories up its internationally recognized borders, and *urged* the United Nations to compel Israel to reparations for all the losses it has inflicted, or caused, as a result of its persistent aggression aga Lebanon. It further *supported* Lebanon in its demands for the removal of the mines left behind by Israeli occupation, which is responsible for planting these mines and therefore for removing them also *supported* the inalienable rights of Lebanon to utilize its waters in accordance with internatio law and *condemned* Israel's designs on these waters. It *held* Israel responsible for any action such infringing upon Lebanon's sovereignty, its political independence, the safety of its people, or integrity of its territories.

15. The Meeting *urged* all parties directly concerned to consider seriously taking practical and urg steps required for implementing the proposal to establish a nuclear-weapon-free zone in the region the Middle East in accordance with the relevant resolutions of the United Nations, and *warned* aga the dire consequences of the continuing rejection of Israel to accede to the Nuclear Non-Proliferat Treaty (NPT) and to place promptly all its nuclear facilities under the full scope of the safeguards the International Atomic Energy Agency (IAEA). In this regard, the Meeting *commended* initiative presented by the Syrian Arab Republic to the Security Council on 16 April 2003 to estab a zone free from all weapons of mass destruction in the Middle East.

16. The Meeting *reaffirmed* the imperative of respect by all for the sovereignty, polit independence, national unity and territorial integrity of Iraq. It *emphasized* the right of the Ir people to full control over their own natural resources and their right to freely establish a fu representative and broad-based government and the need to speedily restore the full Iraqi sovereig and *welcomed* the establishment of representative Governing Council of Iraq on 13 July 2003 and Cabinet of Ministers, as important steps in this direction, and *underlined* the central role that United Nations should play in post-war Iraq. In this vein, it *reiterated* its decision to have permanent representatives of the OIC Member States at the United Nations in New York to mon developments concerning Iraq, coordinate OIC's positions at the United Nations and prepare rep thereof for onward submission to the Organization.

17. The Meeting *emphasized* the principle of non-interference in the internal affairs of Iraq as well as the imperative for Iraq to maintain good relations with all its neighbors and to respect the existing treaties and agreements, especially those on internationally recognized boundaries.

18. The Meeting *underlined* the obligations of the occupying powers under international law, especially the Geneva Conventions of 1949, and *emphasized* in this regard the responsibility of the occupying powers to safeguard the civil and religious liberties of the Iraqi people and their cultural, religious, and historical heritage, and also *emphasized* the necessity for those powers to act in a manner that will ensure respect for the sovereignty and territorial integrity of Iraq's neighboring States.

19. The Meeting *took note* of the relevant provisions of United Nations Security Council resolution 1483(2003) and accordingly *urged* the Member States to provide all forms of support and assistance to meet Iraq's needs and facilitate contributions and efforts designed to reactivate its organizational bodies, and economic institutions and infrastructures.

20. The Meeting *expressed* its strong condemnation of the terrorist criminal bomb attacks against the Jordanian Embassy and the Headquarters of the United Nations in Baghdad and the holy shrine in Najaf.

21. The Meeting *condemned* with deep sorrow and sadness the mass killing, as evidenced by the discovery of mass graves, perpetrated by the former regime of Iraq towards innocent Iraqi and Iranians and other nationals, in particular the killing of Kuwaiti POWs, which constitutes a crime against humanity and a grave violation of the provisions of international humanitarian law. The Meeting *called* for bringing to justice the officials of the former Iraqi regime who committed such crimes.

22. The Meeting *called upon* all the Member States to cooperate and to coordinate their efforts to combat the illegal trade and trafficking in Iraqi antiques, and help return those recovered to the Iraqi museums. It *welcomed* the findings of the recent report by the Arab Organization for Education, Science and Culture on the situation of Iraqi cultural and religious properties under foreign occupation.

23. The Meeting *reiterated* its support for the efforts undertaken by the Afghan Transitional Government to fully implement the Bonn Agreement as well as the recovery and reconstruction of Afghanistan. The Meeting *called upon* the international community to meet the most urgent needs of Afghanistan and to take the necessary steps towards fulfilling the commitments made at the Tokyo Conference on the Reconstruction of Afghanistan in 2002. It also *called upon* Member States to make donations to the OIC Fund set up to assist the Afghan people.

24. The Meeting *welcomed* the Kabul Declaration on Good Neighborly Relations of 22 December 2002. In accordance with this Declaration, the neighboring countries reaffirmed their commitment to constructive and supportive bilateral relationships based on the principles of territorial integrity, mutual respect, friendly relations, cooperation and non-interference in each other's internal affairs.

25. The Meeting *called upon* the United Nations Security Council to implement its relevant resolutions on Jammu and Kashmir enabling the Kashmiri people to determine their own future through a free and impartial referendum conducted under the auspices of the United Nations.

26. The Meeting *called* for a peaceful settlement of the question of Jammu and Kashmir in line with the relevant United Nations resolutions, and it also *called* for respect of human rights of the Kashmiri people and for an end to their continued violation. It *welcomed* the visit of the OIC Fact Finding Mission to Azad Jammu and Kashmir in April 2003, and urged India to allow visit by an OIC fact-finding mission to Jammu and Kashmir as well as provide access to international human rights organizations to verify the human rights situation in the Indian-held Kashmir.

27. The Meeting *welcomed* the measures taken by Pakistan and India to normalize their bilateral relations and urged India to enter into meaningful and result-oriented dialogue with Pakistan within the framework of the United Nations Security Council resolutions and the Simla Agreement to address the outstanding issues between the two countries, including the question of Jammu and Kashmir, which is the root cause of conflict between the two countries.

28. The Meeting *appealed* to the Transitional National Government of Somalia and to all Somali factions to renounce war and violence and to respond to the appeal to peace and serious participation in the on-going national dialogue for the reunification of the State and its reconstruction. The Meeting *urged* all States, particularly the neighbouring States, to respect the sovereignty of Somalia and not to intervene in its internal affairs. The Meeting further *underlined* the necessity for the participation of all Somali stakeholders in the peace process with a view to establishing an all -inclusive government for Somalia.

29. The Meeting *noted* with interest the information about the establishment of the OIC Fund for the rehabilitation and reconstruction efforts in Sierra Leone, and *expressed* the hope that the Member States will continue to contribute generously to the Fund. It also *expressed* the confidence that this initiative will suitably compliment the effort of the United Nations in bringing peace and stability in the country.

30. The Meeting *welcomed* the adoption of Security Council resolution no. 1506(2003) on 12 September 2003, by which the sanctions imposed on Libya have been lifted. It *commended* the constructive efforts that Libya undertook in order to reach this positive result. In this regard, it further *demanded* the lifting of other unilateral sanctions unjustly imposed on Libya, and *supported* Libya's right to demand a fair compensation for the human and material damages resulting from these sanctions.

31. The Meeting *called* on those States that have imposed arbitrary or unilateral political, legal economic and other measures upon any OIC Member States to end such measures as they contravene the objectives and principles of the United Nations Charter and of the international law.

32. The Meeting *reaffirmed* its solidarity with the Republic of the Sudan in confronting hostile designs and *commended* the Sudanese Government for its continued efforts to reach a peaceful

solution to the problem of southern Sudan through negotiations with the various Sudanese parties. The Meeting also *emphasized* the unity and integrity of the Republic of the Sudan and its sovereignty within its internationally recognized borders.

33. The Meeting *reiterated* its condemnation of the aggression of the Republic of Armenia against the Republic of Azerbaijan, which constitutes a blatant violation of the United Nations Charter and international law. It *called for* total withdrawal of the occupation forces of Armenia from all occupied Azerbaijani territories. It also *called upon* Armenia to implement fully other provisions of United Nations Security Council resolutions 822, 853, 874 and 884 of 1993. It *invited* the Organization for Security and Cooperation in Europe (OSCE) to implement its own decisions on the resolution of the Armenian-Azerbaijani conflict as adopted at the Budapest and Lisbon Summits (1994 and 1996) and to bring an end to the conflict in accordance with the purposes and principles of the United Nations Charter and international law.

34. The Meeting *expressed* its support for the rightful cause of the Muslim Turkish Cypriots, and *hailed* the efforts made by the United Nations Secretary-General towards the achievement of a negotiated and just settlement based on the principle of parity and equality between the two parties in Cyprus. In the same vein, it also *joined* the United Nations Secretary-General in welcoming measures taken by the Turkish Cypriot side, which has created a positive atmosphere in the Island.

35. The Meeting *expressed* satisfaction with the commencement of the activities of the OIC Trust Fund for the urgent Return of Refugees to Bosnia and Herzegovina. It also *commended* those Member States that have contributed to the Fund and *called* on others to do so.

36. The Meeting *reviewed* the voting pattern of the OIC Member States in the United Nations bodies on the Palestinian and Middle Eastern questions and other issues of concern and interest to OIC Member States, and *stressed* the need to participate more actively in future voting processes, in accordance with the relevant resolutions of the OIC Summit and Ministerial Conferences.

37. The Meeting *reaffirmed* that OIC Member States have a direct interest in the reform of the United Nations System, including the expansion of the Security Council. It *reiterated* its resolve to take an active part in that process in accordance with relevant declarations and statements of the OIC.

38. The Meeting *reaffirmed* the imperative of promoting multilateral diplomacy in resolving disarmament and non-proliferation concerns, and, in this context, *underlined* that multilateral institutions established under the auspices of the United Nations are the sole legitimate bodies to verify and ensure compliance with relevant international agreements.

39. The Meeting *reaffirmed* its resolve to combat all forms and manifestations of terrorism, including state terrorism, and its determination to participate in the multilateral global efforts to eradicate this menace, *rejected* selectivity and double standards in combating terrorism, and any attempts to link terrorism to a specific religion or culture. It also *reiterated* its support for the convening of an international conference under the aegis of the United Nations to define terrorism and stress the need for efforts to be exerted to conclude a convention on international terrorism that would differentiate

between terrorism and legitimate struggle of peoples under colonial or alien domination and foreign occupation for self-determination in accordance with the United Nations Charter and international law. The Meeting *reaffirmed* that situations of foreign occupation are governed by international humanitarian law and not by conventions on terrorism. It also *called upon* all Member States, who have not done so, to take the necessary steps towards the ratification of the OIC Convention on Combating International Terrorism.

40. The Meeting *recalled* the decisions adopted by the Thirteenth Summit of Non-Aligned Countries, held in Kuala Lumpur (Malaysia), and the Second Ordinary Session of the Assembly of the African Union, held in Maputo (Mozambique), regarding Tunisia's proposal to elaborate by consensus an international counter-terrorism code of conduct within the framework of the United Nations. The Meeting *endorsed* this initiative and appealed to all Member States of the United Nations and international organizations to support it and contribute to its realization when it is tabled before the United Nations General Assembly.

41. The Meeting *welcomed* the increased cooperation between the Islamic Republic of Iran and the International Atomic Energy Agency (IAEA) and *encouraged* Iran to continue this cooperation. It *regretted* that the divergent views in this issue could not be consolidated in a consensus resolution at the recent meeting of the IAEA Board of Governors. The Meeting *took note* of different interpretation of different paragraphs of the resolution, particularly on operative paragraph 4, and *believed* that putting the deadline at the end of October would tie the Agency's hand. The Meeting stressed that the Board resolution should not forestall or hinder the process before or after November 2003, and *invited* all States to assist the IAEA Director-General to establish a framework of cooperation, in consultation with Iran, to bring all outstanding issues to a closure.

42. The Meeting *expressed* its determination to vigorously pursue the promotion and protection of human rights and fundamental freedoms and *encouraged* greater transparency, cooperation, mutual tolerance and respect for religious values and cultural diversity in the field of universal promotion and protection of human rights. It also *reiterated* the necessity of following up on the Cairo Declaration on Human Rights in Islam, and *called upon* all the Member States to continue their coordination and cooperation in the area of human rights in the relevant international fora with the view to enhance Islamic solidarity in confronting attempts to use human rights as a means to politically pressurize any of the Member States.

43. The Meeting *reiterated* its appeal to all Member States, international Organizations, and the representatives of private sector and civil society, to contribute to the preparatory process of the World Summit on the Information Society, to be held in two phases, the first in Geneva in 2003, the second in Tunis in November 2005, and *underlined* the role that the International Telecommunication Union (ITU) should play to ensure the visibility needed for this important event, and the mobilization of the required resources in order to ensure its success. The Meeting *took note* with satisfaction of the measures taken in order to assure an harmonious linkage between the two phases of the Summit, and invited the Member States and the representatives of the private sector to contribute to the Special Trust Fund established by the ITU in order to facilitate the organization of meetings of the Preparatory

Committee, prior to the Tunis phase, and to ensure the participation of developing countries, in particular the least developed countries in this process.

44. The Meeting *recalled* paragraph 126 of the Final Communiqué of the Thirtieth Session of the Islamic Conference of Foreign Ministers, which supported the Tunisian initiative to declare an international year for sports and physical education for peace and development.

45. The Meeting *reaffirmed* the need to strengthen the role and capacity of the United Nations system to assist developing countries to achieve the internationally-agreed development goals, including those contained in the Millennium Declaration.

46. The Meeting *emphasized* the need for the promotion of the *new global human order* aimed at reversing the growing disparity between the rich and poor, both among and within countries through, inter alia, the eradication of poverty, the promotion of sustainable development, and the realization of the just aspirations of all peoples.

47. The Meeting *reiterated* that the pursuance of sustainable development should be the priority of all countries through the implementation of all internationally-agreed development goals and objectives, including those contained in the Johannesburg Plan of Action, Monterey Consensus and the Millennium Declaration, and *stressed* that the multilateral trading and financial systems should be open, equitable, rule-based and non-discriminatory. In this context, it *urged* the international community to facilitate the accession of those OIC Member States that seek to join the World Trade Organization on fair terms, irrespective of political considerations.

48. The Meeting *reaffirmed* that the previously held major United Nations conferences and summits resulted in the establishment of a solid repertoire of commitments for the attainment of sustainable development goals and targets. The Meeting *welcomed* in this regard the adoption by the United Nations General Assembly on 20 December 2002 of resolution 57/270 on integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields, and *urged* the international community, particularly donor countries, to ensure an effective and durable implementation of these commitments through the provision of reliable means of implementation, particularly to developing countries.

49. The Meeting *welcomed* the initiative of the Kingdom of Morocco to convene in Marrakech from 16 to 19 December 2003 a high-level conference on South-South cooperation, which would reinforce and strengthen the solidarity between developing countries, including among OIC Members States.

50. The Meeting *welcomed* the adoption of the United Nations General Assembly resolution 57/337 of 3 July 2003 on the "Prevention of Armed Conflict", which reaffirmed the inadmissibility of the acquisition of territory by force and the need to bring an end to situations of foreign occupation as a manifestation by the international community to the culture of conflict prevention.

51. The Meeting *called on* United Nations Member States for the full implementation of the resolutions and the decisions of the United Nations Educational, Scientific and Cultural Organization

(UNESCO) concerning the return of cultural properties to the peoples who were or still under colonial rule or occupation. It also *stressed* the need for UNESCO to identify the stolen or illegally exported cultural properties in accordance with the relevant conventions on the subject. It *emphasized* the need to expedite the process of returning these properties to their countries of origin, in compliance with the resolutions of the United Nations General Assembly. It further *emphasized* the right of the Islamic countries to maintain and conserve their national heritage, as it constitutes the foundation of the cultural identity of these countries.

52. The Meeting *took note*, with appreciation, of the ongoing preparations for the Tenth Session of the Islamic Summit Conference to be held in Putrajaya, Malaysia, from 11 to 18 October 2003, and *looked forward* to the participation of OIC Member States in the Summit towards strengthening the Organization and enhancing its influence and effective contribution in world affairs.

53. The Meeting *took note* of the interim report of the first meeting of the OIC Senior Intergovernmental Expert Group, held on 1-3 September 2003 in Jeddah, regarding the rationalization of the OIC agenda items and the operationalization of its resolutions, and *looked forward* to the further deliberations of the Expert Group.

54. The Meeting *expressed* appreciation and satisfaction for the excellent performance of the Permanent Observer Mission of the OIC to the United Nations in New York in discharging its duties in conformity with the resolutions of the OIC Summit and Ministerial Conferences.

55. The Meeting *adopted* the reports issued by:

1- The Six-Member Committee on Palestine.
2- The Ad-Hoc Committee on Afghanistan.
3- The Contact Group on Somalia.
4- The Contact Group on Sierra Leone.
5- The Contact Group on Jammu and Kashmir.

New York: 4 Shaa'ban 1424H
30 September 2003

United Nations A/58/416–S/2003/947

General Assembly
Security Council

Distr.: General
10 October 2003

Original: English

General Assembly
Fifty-eighth session
Agenda items 37 and 38

The situation in the Middle East

Question of Palestine

Security Council
Fifty-eighth year

Peaceful settlement of the question of Palestine

Report of the Secretary-General*

Summary

The present report is submitted in accordance with General Assembly resolution 57/110 of 3 December 2002. It contains replies received from the President of the Security Council and the concerned parties to the notes verbales sent by the Secretary-General pursuant to the request contained in paragraph 10 of the resolution. The report also contains the observations of the Secretary-General on the current state of the Israeli-Palestinian conflict and on international efforts to revive the peace process with a view to achieving a peaceful solution.

* The present report was submitted after the established deadline in order to include as much updated information as possible.

03-55381 (E) 291003

I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 57/110 of 3 December 2002.

2. On 17 June 2003, pursuant to the request contained in paragraph 10 of the above-mentioned resolution, I addressed the following letter to the President of the Security Council:

> "I have the honour to refer to resolution 57/110, which the General Assembly adopted on 3 December 2002, at its fifty-seventh session, under the agenda item 'Question of Palestine'.
>
> "Paragraph 10 of the resolution requests the Secretary-General to continue his efforts with the parties concerned, and in consultation with the Security Council, towards the attainment of a peaceful settlement of the question of Palestine and the promotion of peace in the region and to submit a report on these efforts and on developments on this matter.
>
> "In order to fulfil my reporting responsibilities under this resolution, I should be grateful if you kindly convey to me the views of the Security Council by 31 July 2003."

3. On 31 July 2003 the following reply was received from the Security Council:

> "The Security Council continues to discuss the situation in the Middle East, including the Palestinian question on a regular basis, in particular with monthly briefings from the Secretary-General, the UN Special Coordinator for the Middle East Peace Process, Terje Roed-Larsen, or senior Secretariat staff. In September 2002 the 'Quartet' agreed that there was a need for a performance-based Road Map to a permanent two-State solution to the Israeli-Palestinian conflict.
>
> "Shortly after this meeting, following a further increase in violence and terrorist acts, Israeli reoccupation of Palestinian cities and restrictions placed on Palestinians and the resulting impact on their humanitarian situation, the Council had an open meeting and subsequently adopted resolution 1435 (2002) of 24 September 2002. In that resolution the Council reiterated its demand for the complete cessation of all acts of violence. It demanded that Israel cease measures in and around Ramallah and withdraw its occupying forces from Palestinian cities and return them to positions held prior to September 2000. The Council called on the Palestinian Authority to meet its commitment to bring to justice those responsible for terrorist acts.
>
> "The Council was not able to agree on a draft resolution on 20 December 2002, tabled following the death of several UN employees working in the West Bank and the Gaza Strip and the destruction of a WFP [World Food Programme] warehouse.
>
> "The Council continues to follow the work of the 'Quartet', whose Road Map was officially handed over to the parties on 30 April 2003. In June 2003 the Council Presidency reiterated the support for the Road Map and the Quartet's efforts in a statement to the press. The Council continues to discuss the situation in the Middle East monthly, with regular reports from the Secretariat, the latest on 17 July 2003.

"During all these efforts, the Security Council continues to support a comprehensive and just settlement in the Middle East based on Security Council resolutions 242 (1967), 338 (1973) and 1397 (2002), the foundations of the Madrid Conference, the principle of land for peace, agreements previously reached by the Parties, and the initiatives of Saudi Crown Prince Abdullah endorsed at the Beirut Arab League Summit."

4. In notes verbales dated 16 and 19 June 2003 to the parties concerned, I sought the positions of the Governments of Egypt, Israel, Jordan, Lebanon and the Syrian Arab Republic, as well as the Palestine Liberation Organization, regarding any steps taken by them to implement the relevant provisions of the resolution. As at 17 September 2003, the following replies had been received:

Note verbale dated 25 July 2003 from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General

"As the Secretary-General is aware, Israel voted against this resolution, as well as against similar resolutions adopted by the General Assembly in previous sessions. In light of the urgent need to bring an end to all acts of violence and terrorism in the region and to further the agreed negotiating process, Israel wishes to put on record, once again, its position on this matter.

"Israel views the aforementioned General Assembly resolution not only as unbalanced, but also as an undue interference in matters which the parties have agreed to resolve within the context of direct bilateral negotiations.

"The violence in the region has been a result of a Palestinian decision to abandon peace negotiations and pursue their goals through violence and terrorism. The one-sided approach reflected in the resolution, which seeks to dictate the outcome of the negotiating process, effectively rewards violence at a time when the Palestinian side should discontinue all acts of violence and terrorism and boldly pursue the path of peaceful dialogue.

"The time to put an end to such biased UN resolutions is long overdue, requiring immediate and serious consideration by the Secretary-General. These one-sided resolutions are not only out of touch with reality and anachronistic, they are counterproductive to the very spirit of peace. Rather than promoting a vision which recognizes the rights and obligations of both sides, these resolutions obscure the efforts of the parties to achieve a negotiated outcome, at a moment when encouraging changes in the Middle East region have opened a critical window of opportunity in the peace process."

Note verbale dated 4 August 2003 from the Permanent Observer of Palestine to the United Nations addressed to the Secretary-General

"As reflected in the voting results, resolution 57/110 actually garnered more support from the Assembly during the 57th session. The resolution was adopted by the General Assembly by an overwhelming majority (160-4-3), reaffirming long-established convictions and positions of the international

community on this important issue. Resolution 57/110 recalls several principles of international law and the Charter of the United Nations, including, inter alia, the principle of equal rights and self-determination of peoples and the principle of the inadmissibility of the acquisition of territory by war. In the resolution, the Assembly also expresses its full support for the peace process and sets forth the basis for a just settlement of the question of Palestine. The resolution stresses the need for (a) the withdrawal of Israel from the Palestinian territory occupied since 1967; and (b) the realization of the inalienable rights of the Palestinian people, primarily the right to self-determination and the right to their independent State. It also stresses the need for resolving the problem of the Palestine refugees in conformity with its resolution 194 (III) of 11 December 1948.

"The resolution also welcomes the affirmation by the Security Council of a vision of a region where two States, Israel and Palestine, live side by side within secure and recognized borders. In regard to the peace process, resolution 57/110 affirms the urgent need for the parties to cooperate with all international efforts, including the efforts of the Quartet of the United States of America, the Russian Federation, the European Union and the United Nations, to end the current tragic situation and to resume negotiations towards a final peace settlement. Resolution 57/110 also welcomes the Arab Peace Initiative adopted by the Council of the League of Arab States at its fourteenth session, held in Beirut on 27 and 28 March 2002. Moreover, the resolution emphasizes the permanent responsibility of the United Nations with regard to the question of Palestine until it is solved in all its aspects and emphasizes the importance of a more active and expanded role for the organization in the peace process.

"In addition to the reaffirmation of the above-mentioned principles and positions, resolution 57/110 addresses the grave situation on the ground in the Occupied Palestinian Territory, including East Jerusalem. The resolution expresses its grave concern over the tragic events in the Occupied Palestinian Territory, including East Jerusalem, since 28 September 2000 and the continued deterioration of the situation, including the rising number of deaths and injuries, mostly among Palestinian civilians, the deepening humanitarian crisis facing the Palestinian people and the widespread destruction of Palestinian property and infrastructure, both private and public, including many institutions of the Palestinian Authority. The resolution also expresses its grave concern over the repeated incursions into Palestinian-controlled areas and the reoccupation of many Palestinian population centres by the Israeli occupying forces. Resolution 57/110 also deals with another important aspect regarding the question of Palestine by affirming the illegality of Israeli settlements in the territories occupied since 1967, as well as the illegality of Israeli acts aimed at changing the status of Jerusalem.

"It is extremely regrettable that Israel has chosen to, once more, vote against resolution 57/110, defying the overwhelming majority of Member States and choosing to continue with its illegal actions and measures in the Occupied Palestinian Territory, including East Jerusalem. In this connection, Israel has chosen to refuse the reasonable and sound foundation for the establishment of peace between Israel and Palestine, as well as in the Middle East region as a whole. In regard to the situation on the ground for most of the reporting period, Israeli occupying forces continued with its bloody military

campaign against the Palestinian people, committing additional grave breaches of the Fourth Geneva Convention relative to the Protection of Civilian Persons in Time of War, of 12 August 1949. The Israeli occupying forces have continued to commit countless war crimes, State terrorism and systematic human rights violations against the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem.

"Throughout most of the reporting period, the Israeli occupying forces also continued to launch attacks in Palestinian cities, towns and refugee camps, using all forms of heavy weaponry, including tanks, helicopter gunships and warplanes. Since 28 September 2000, and as of the date of this note, the Israeli occupying forces have killed around 2,500 Palestinians. Many of the killings committed in the past year by the occupying forces have been wilful killings and targeted extrajudiciary executions. Also, more than 45,000 Palestinian have been injured, many critically and many suffering permanent disabilities. The occupying forces have also abducted and detained thousands of Palestinians, particularly males, throughout this period. In addition, thousands of Palestinians continue to be illegally held in Israeli prisons and detention centres.

"In spite of the above, the official presentation of the Road Map by the Quartet on 30 April 2003 presented the parties with a new chance to end the tragic situation on the ground and to achieve a final settlement, including the realization of the two-State solution. The Palestinian side has, indeed, accepted the Road Map and has expressed readiness for its full implementation. The Israeli side, however, after a great deal of equivocation, declared its acceptance along with a lengthy list of "concerns" or "conditions" in spite of the efforts of the Quartet and the relatively positive atmosphere. The Israeli government has yet to comply with any of its obligations under the Road Map. Nevertheless, the violent situation on the ground has greatly calmed down as a result of the efforts made by the Palestinian government to secure assurances from all Palestinian groups to a ceasefire agreement, thus providing reasonable ground for the progress in the peace process.

"The Israeli government has not removed the unauthorized outposts of the Jewish settlements as required by the Road Map, and even has continued with its settlement activities, including the building of new units and the confiscation of additional Palestinian land. In this regard, the building by Israel, the occupying Power, of an illegal wall that cuts deep into the Occupied Palestinian Territory has led to a de facto confiscation of thousands of dunums of Palestinian land. Furthermore, the wall has served to isolate many Palestinian communities from one another and has destroyed their means of livelihood. This has represented the most flagrant violation of not only the Fourth Geneva Convention relative to the Protection of Civilian Persons in Time of War, of 12 August 1949, but of the Road Map itself. The continuation of Israeli settlement activity and the building of the illegal wall can only ensure the complete destruction of the Road Map — the latest initiative in pursuit of Palestinian-Israeli peace.

"In addition to the above, Israel has also continued with its reoccupation of many Palestinian cities. It has also continued with its imposition of severe restrictions on the movement of persons and goods within the Occupied

Palestinian Territory, including East Jerusalem. Furthermore, Israel has also continued with its prevention of the free movement of the President of the Palestinian Authority from and to his headquarters in Ramallah. It is, indeed, inconceivable for the peace process to proceed forward with such Israeli policies and measures in place. Further efforts of the Quartet are urgently needed to achieve an end to such policies and measures.

"Palestine expresses its appreciation for the role being played by the United Nations, including the efforts and the important role played by the Secretary-General. Palestine also expresses its appreciation to the Quartet and emphasizes the need for intensifying its role to ensure the honest implementation of the Road Map in its entirety. In this regard, a monitoring mechanism, as required by the Road Map, must be established in a speedy manner to ensure such implementation."

[Original: Arabic]

Note verbale dated 3 July 2003 from the Permanent Representative of the Syrian Arab Republic to the United Nations addressed to the Secretary-General

"The Syrian Arab Republic supported General Assembly resolution 57/100 of 3 December 2002 entitled 'Peaceful settlement of the question of Palestine', which states that achieving a final and peaceful settlement of the question of Palestine, the core of the Arab-Israeli conflict, is imperative for the attainment of a comprehensive and lasting peace in the Middle East and refers to, in particular, Security Council resolutions 242 (1967) and 338 (1973).

"Once again, the Government of the Syrian Arab Republic affirms the statements made in the resolution respecting the illegality of the Israeli settlements in the territory occupied since 1967 and of Israeli actions aimed at changing the status of Jerusalem. The Government further affirms that those measures and settlement activities represent fundamental obstacles to the conclusion of a peaceful settlement of the question of Palestine and that successive Israeli Governments have had no political will to conclude a lasting and comprehensive peace in the region based on United Nations resolutions. The Israeli rejection of the principle of the equality of peoples with respect to rights and of the right to self-determination, which is one of the purposes and principles enshrined in the Charter of the United Nations, represents a further obstacle to the peace that is sought.

"The Syrian Arab Republic expresses total support for the affirmation made in the resolution respecting the principle that underlies Security Council resolution 242 (1967), namely, the inadmissibility of the acquisition of territory by war, and condemns the continuation by Israel of aggressive acts and incursions into the Palestinian territories, its destruction of homes, expropriation of land and detention, assassination and expulsion from their homes, villages and towns of Palestinian persons. Such actions are indicative of the true intentions of Israel, namely, to maintain and prolong the occupation and to refuse to comply with United Nations resolutions or the desire of the international community to resolve the question of Palestine in conformity

with the relevant Security Council resolutions and, in particular, resolutions 242 (1967) and 338 (1973). Such resolutions affirm the need for the Israeli occupation of Arab territories to end and for the Palestinian people to be empowered to exercise the right to self-determination and to establish an independent State on its native soil."

[Original: Arabic]

Note verbale dated 4 August 2003 from the Permanent Representative of the Hashemite Kingdom of Jordan to the United Nations addressed to the Secretary-General

"The question of Palestine is regarded by Jordan as a fundamental issue. From the outset, efforts to resolve it have taken up a major part of the attention of the Jordanian leadership. Jordan has therefore worked unremittingly at all levels with a view to arriving at an equitable solution that would restore the legitimate rights of the fraternal Palestinian people as the only means of achieving security and stability in the region. Jordan's conception of such a solution is in keeping with international legitimacy and the relevant resolutions of the United Nations, foremost among them Security Council resolutions 242 (1967) and 338 (1973), together with General Assembly resolution 194 (III), which is regarded as the basis for resolving the issue of Palestinian refugees. Accordingly, together with the international family of nations, Jordan is committed to the necessity of achieving a comprehensive, just and lasting peace in the Middle East on the basis of the United Nations resolutions in implementation of the principle of land for security and recognition, the principle that is the starting point of all international efforts to resolve this enduring conflict.

"On a practical level, this implies the necessity of Israel's withdrawal from all occupied Arab territories to the borders of 4 June 1967, the resolution of the problem of Palestinian refugees on the basis of the guarantee of the right of return and the right to compensation and implementation of the right of the Palestinian people to self-determination in its own national territory. It also implies the establishment of an independent and viable Palestinian State enjoying sovereignty over its national territory. That being so, Jordan has welcomed all the international initiatives and efforts, all of which have had the objective of giving effect to that vision. Foremost among those efforts have been the Arab initiative adopted by the Fourteenth Arab Summit in Beirut in 2002 and the initiative of Mr. George Bush, President of the United States of America, in June 2002. In keeping with that, Jordan has been working to create conditions conducive to the resumption of negotiations between the Palestinian and Israeli sides, has participated with the international parties involved in the finalization of the "road map" and is now working on its implementation as published after acceptance of it by both parties at the Summit convened in Aqaba, Jordan, on 4 June 2003 and attended by Mr. George Bush, President of the United States of America, Mr. Ariel Sharon, Prime Minister of Israel, and Mr. Mahmoud Abbas, Prime Minister of Palestine. Jordan is convinced that the declaration of a truce by the Palestinian groups is a positive development and

that all parties must work to consolidate it by abiding by their obligations under the road map.

"Furthermore, Jordan has stressed the importance of the role of the United Nations and of the international community in bringing about a comprehensive and just peace in the Middle East and the necessity of not relinquishing support for the Palestinian people and its legitimate leadership until it has obtained its rights. In this context we welcomed the statement by President George Bush of his support for the establishment of a Palestinian State by 2005 living in peace side by side with Israel. We also welcomed the efforts of the Quartet of the United States, the European Union, the Russian Federation and the United Nations.

"Jordan also urged the Ministerial Meeting of the Organization of the Islamic Conference held in Tehran last May to welcome the road map as an opportunity to strengthen international efforts to end the occupation and to achieve a lasting peace between Palestinians and Israelis leading to the establishment of an independent Palestinian State. The Meeting called for the implementation of the road map as published."

II. Observations

5. The past year witnessed the emergence of some hope of a turning point in the Israeli-Palestinian conflict. For the first time since September 2000, both parties, with the active assistance of the international community, in particular the Quartet (the Russian Federation, the United States of America, the European Union and the United Nations), committed themselves to serious and meaningful negotiations to halt the violence and reach a peaceful settlement. However, renewed violence in the latter half of August 2003 signalled the breakdown of the ceasefire and a reversal in progress. In the renewed cycle of violence and counter-violence, suicide bombings by Palestinian militant groups and targeted assassinations of members of those groups by Israel have regrettably resumed. Consequently, the implementation of the road map has been frozen, and some steps have actually been reversed.

6. Amid the escalation of the conflict in 2002, members of the Quartet jointly elaborated a "road map" to realize the vision of a two-State solution. After consultations with the parties and neighbouring Arab States, agreement was reached on the text of the road map at the meeting of the Quartet principals in Washington, D.C., on 20 December 2002. The performance-based and goal-driven road map presented clear phases, time lines, target dates and benchmarks aimed at the progression by the two parties through reciprocal steps in the political, security, economic, humanitarian and institution-building fields under the auspices of the Quartet. The goal of the road map is to resolve the Israeli-Palestinian conflict and end the occupation that began in 1967 on the basis of the 1991 Madrid peace conference, the principle of land for peace, Security Council resolutions 242 (1967), 338 (1973) and 1397 (2002), agreements reached previously by the parties and the Arab Peace Initiative of Saudi Crown Prince Abdullah, which was endorsed by the Council of the League of Arab States at its summit meeting held in Beirut on 27 and 28 March 2002 (see A/56/1026-S/2002/932, annex II). A settlement would lead to the emergence of an independent, democratic and viable Palestinian State living side by side in peace and security with Israel and its other neighbours.

7. With the help of the international community, notable progress has been achieved in reforming the Palestinian Authority. The United Kingdom hosted the Task Force on Palestinian Reform in London on 20 February 2003, which welcomed the Government of Israel's decision to resume monthly transfers of Palestinian tax revenues and the considerable progress made by the Palestinian Authority in its reform efforts, especially in the fiscal sector.

8. On 18 March 2003, President Yasser Arafat approved a bill of amendments to the Palestinian Authority Basic Law to create the post and define the powers of Prime Minister. On 29 April 2003, the Palestinian Legislative Council confirmed Mahmoud Abbas and his new cabinet in office. This was an important step for which Prime Minister Abbas, President Arafat and the Palestinian Legislative Council deserved to be commended. However, early September saw the resignation of Prime Minister Abbas and the nomination of Ahmed Qurei, the Speaker of the Palestinian Legislative Council, as his successor.

9. Throughout this period, Israel persisted in its efforts to confine the elected President of the Palestinian Authority, Mr. Arafat, to his headquarters in the West Bank. On 11 September 2003, the Israeli security cabinet agreed in principle on the removal of Mr. Arafat from the West Bank and Gaza Strip. I have strongly urged the Israeli security cabinet to reconsider this decision as I believe that the forcible transfer of Mr. Arafat would be dangerous and counterproductive given the instability in the region.

10. On 30 April 2003, the road map was officially submitted to the parties (see S/2003/529, annex). At the beginning of June 2003, at the Aqaba Summit, organized by President Bush and hosted by Jordan, Prime Ministers Sharon and Abbas made a firm commitment to begin implementation of the road map. In this context, I was encouraged by the resumption of direct contacts and talks between Prime Ministers Sharon and Abbas.

11. The Quartet principals met again in Amman on 22 June 2003 and reviewed the steps needed to begin implementation of the road map. They called upon the Palestinian Authority to make all possible efforts to halt the activities of groups and individuals planning and conducting terror attacks against Israelis. While recognizing Israel's right to self-defence, the Quartet called upon the Government of Israel to respect international humanitarian law and to exert maximum efforts to avoid civilian casualties among the Palestinians. It also pointed out that steps must be taken to improve the humanitarian situation and to normalize the daily lives of the Palestinian people.

12. The first steps taken by the parties to start implementation of the road map included the withdrawal of Israeli forces from parts of the Gaza Strip and Bethlehem and the declaration of a ceasefire by various Palestinian groups, which was arranged with the active involvement of the Egyptian Government. President Bush deployed Ambassador John Wolf to lead the informal monitoring structure of phase I commitments on the ground, in full cooperation with other Quartet members.

13. Over the past year, the situation in the Middle East, including the Palestinian question, remained the subject of extensive consultations and debates in the Security Council. The Secretariat continued to provide regular informal briefings to the Council on the latest developments in the Middle East.

14. I strongly believe that the principle of parallelism on which the road map is based must be maintained. Previous peace attempts have failed because of their reliance on sequentialism; a crucial role for the international community is to assist the parties to address security, economic, humanitarian and political issues at the same time.

15. The number of casualties in the past three years speaks eloquently to the need to persevere in order to achieve a lasting resolution to the conflict. Since September 2000, more than 2,800 Palestinians and more than 800 Israelis have been killed. Moreover, thousands have been injured. Behind each and every one of these numbers are stories of human loss and suffering. The overwhelming majority of casualties in Israel resulted from terrorist attacks against Israelis by various Palestinian militant groups. Bombs have been set off in cafés and restaurants and attacks have been carried out against public transport, including school buses, creating a climate of fear and constant watchfulness. A large number of Palestinian civilian casualties have resulted from Israel Defense Forces (IDF) operations, including incursions, pre-emptive strikes and the practice of targeted assassinations of suspected militants in Palestinian areas. The use of heavy weaponry in densely populated Palestinian areas has been of particular concern. Since the ceasefire and redeployment at the end of June, there has been a marked decline in violence.

16. I remain deeply concerned that most of these deaths resulted from actions that violated basic tenets of international humanitarian law, especially the obligation to protect civilians. I have repeatedly and consistently condemned all terrorist attacks on Israel as morally wrong and counterproductive for the Palestinian cause and have stressed the obligation of the Palestinian Authority to assume full security responsibility in areas still under its control. In addition, I have urged the Government of Israel to refrain from the excessive and disproportionate use of deadly force in civilian areas and, consistent with international humanitarian law, to take steps to ensure the protection of Palestinian civilians.

17. Three United Nations staff members were among the many civilians killed at the start of the period covered in the present report. Iain Hook, a British citizen, was employed by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) when he was shot and killed by IDF while in the Jenin camp on 23 November 2002. Two Palestinian employees of UNRWA died in Gaza on 6 December 2002 during Israeli military incursions.

18. Israel continued its policy of demolishing houses as a reaction to security incidents. From 1 January to 21 August 2003, 158 homes of Palestinians who had carried out attacks against Israel or who were suspected of involvement or of planning future attacks were destroyed. Residential apartment blocks have also been demolished following armed clashes between IDF and Palestinian militants.

19. In addition, IDF has demolished hundreds of houses, workshops and agricultural buildings and damaged thousands more, particularly along the Gaza/Egyptian border and in areas bordering Israeli settlements and settler roads in order to create "buffer zones". Rafah, in the southern Gaza Strip, has been one of the worst-affected areas. In the first quarter of 2003, 161 houses were demolished there, the greatest number of house demolitions in the occupied Palestinian territory since September 2000. Homes and businesses have also been demolished in preparation for the construction of the separation barrier.

20. The confiscation of land and the levelling of agricultural land have continued unabated, particularly in border areas, around settlements and settler roads and in connection with the construction of the separation wall. Thousands of trees have been uprooted and crops destroyed. The most serious destruction has occurred in the northern Gaza Strip in the Beit Hanoun and Beit Lahiya areas. During the IDF incursion into the Beit Hanoun area in May/June, over 1,000 dunums of land were levelled, and homes and infrastructure were damaged or destroyed.

21. Continued Israeli settlement construction activity and the building of a separation wall are two key challenges to the fulfilment of the road map's goal of the two-State solution. The construction of the separation wall is a unilateral act not in keeping with the road map. Its building has involved the separation of Palestinians from their lands and from each other. Israel's continued expansion of settlements and construction of bypass roads have, over time, made the creation of a viable and contiguous Palestinian State more difficult. Despite the obligation in phase I of the road map to dismantle settlement outposts and to freeze all settlement expansion, the Government of Israel has not taken decisive action in that direction.

22. It has been of great concern that, despite political developments, the humanitarian and economic situation of the Palestinian people continued to deteriorate during the past year. This deterioration was a direct result of the policy of systematic closures and curfews and its impact on Palestinian social and economic life. The World Bank has found that two thirds of the population of the West Bank and Gaza Strip live on less than $2 per day; in fact, the number of the poor has tripled, from 637,000 in September 2000 to nearly 2 million in March 2003. Gross national income per capita has fallen to nearly half of what it was two years before. More than half of the workforce is unemployed, and, more shockingly, more than half of Palestinians are receiving some form of donor-financed food assistance. The limited steps taken so far by Israel to lift closures, curfews and other restrictions have not yet been sufficient to significantly ease the economic deterioration in the occupied Palestinian territory and the humanitarian suffering of the Palestinian people. I remain very concerned that the damage done to Palestinian social and economic spheres may prove difficult to reverse unless meaningful and urgent steps are taken to lift closures and curfews and to allow normal life to resume.

23. The humanitarian situation was worsened this year by unprecedented movement restrictions imposed on United Nations and non-governmental organization personnel, especially limiting their access into and out of the Gaza Strip. For most of May, a significant number of United Nations staff were stuck on either side of the Erez boundary and were unable to carry out their humanitarian tasks. Those policies violated the privileges and immunities of United Nations personnel and ran counter to Israel's obligations under international humanitarian law as the occupying Power to provide for the well-being of the people of Gaza.

24. The inter-agency United Nations humanitarian action plan, released in November 2002, includes activities to reinforce existing relief programmes and to provide temporary assistance to the affected population in priority sectors such as food security, health, education, employment generation and agricultural production to help mitigate the devastating impact of repeated military incursions, closures, curfews and economic decline. Up to mid-September, a total of $106,467,347 had

been provided by donor Governments, or 37.4 per cent of the amount needed to cover all activities outlined in the humanitarian action plan.

25. The humanitarian action plan also includes a recommendation that humanitarian indicators be tracked and reported, in particular the commitments made by the Government of Israel to my Personal Humanitarian Envoy, Catherine Bertini. A monthly humanitarian monitoring report, issued by the Office for the Coordination of Humanitarian Affairs, tracks the humanitarian indicators and commitments. During the reporting period the Office documented an overall decline in the humanitarian situation in all but one area, namely curfews.

26. As the General Assembly has underscored on many occasions, achieving a final and peaceful settlement of the question of Palestine, the core issue of the Arab-Israeli conflict, is imperative for the attainment of a comprehensive, just and lasting peace in the Middle East. Therefore I hope that, as called for in the road map, there will also be movement on the Syrian and Lebanese tracks so that peace, security and stability will be achieved for all in the region on the basis of Security Council resolutions 242 (1967) and 338 (1973).

27. For its part, the United Nations will continue to support the peace process and will remain at the forefront of efforts to alleviate the severe social and economic hardships of the Palestinian people. To that end, I will continue to press for the implementation of the road map, which I still believe provides the best opportunity to move forward. I will continue to maintain close and regular contact with other members of the Quartet, as well as with the parties, regional leaders and the wider international community, to encourage progress in these difficult and critical times. The active engagement of the international community continues to be needed at this critical juncture.

28. I call upon the international community to provide the resources necessary to support United Nations programmes in addressing the deteriorating economic and humanitarian situation of the Palestinian people, and especially to provide adequate funding to UNRWA so that it can continue to deliver the necessary services to the Palestinian refugees. Donor assistance is especially vital at a time when the humanitarian situation is so critical.

29. I should like to pay special tribute to Terje Roed-Larsen, United Nations Special Coordinator and my Personal Representative to the Palestine Liberation Organization and the Palestinian Authority, to the staff of the Office of the United Nations Special Coordinator in the Occupied Territories and to Commissioner-General Peter Hansen of UNRWA, the staff of the Agency and all other United Nations agencies, which continue to provide their sterling services while working under most demanding and difficult circumstances.